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International Experience of Farmers Specialized Cooperative Economic Organizations in Marketing of Agricultural Products

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Abstract In the world, development modes of farmers specialized cooperative economic organizations mainly includes two types: (i) specialized agricultural cooperatives with the United States of America as representative, and (ii) comprehensive agricultural cooperatives with Japan and South Korea as representative. In comparison, China mainly develops farmers specialized cooperatives which are agricultural production with family as unit and small in land and management scale like agricultural production in Japan. Therefore, in marketing of agricultural products, cooperatives in the United States of America and Japan have successful experience. China may learn such experience in the development of farmers specialized cooperatives.

Key words Farmers specialized cooperative organizations, Marketing of agricultural products, Experience

1 Introduction

As new agricultural management organization, China's farmers specialized cooperatives develop rapidly in recent years. By the end of October 2015, the number of farmers specialized cooperatives had reached 1.479 million, members of farmers reached 99.97 million, and various levels of model cooperatives reached 135000. However, rapid growth of those specialized cooperatives presents some problems, such as non-standardized operation. Many cooperatives undertake no business after registration, and those normally operating cooperatives also have problems of small scale, weak strength, and narrow scope of service fields. By contrast, in some developed countries and regions, such as the United States of America, Japan, South Korea, and Taiwan of China, farmers specialized cooperative economic organizations are relatively mature. Majority of farmers join in farmers specialized cooperative economic organizations. From supply of agricultural means of production before production, technical guidance in the production, to circulation and sales after production, they rely highly on services provided by cooperative organizations. In Japan, 80% agricultural and sideline products produced by farmers are sold by Japan Agricultural Cooperatives (JA), and more than 90% means of production are supplied by Japan Agricultural Cooperatives. In the United States of America, 80% agricultural products are processed by agricultural cooperatives; in export trade of agricultural products, more than 70% are undertaken by agricultural cooperatives^[1]. Comparatively speaking, most farmers specialized cooperatives in China are not brought into full play and their driving role for farmers is limited. Weak marketing ability of cooperatives

leads to their slow development. Frequent occurrence of difficult sales of agricultural products greatly hits enthusiasm of farmers for production and their trust in cooperatives. From the perspective of development mode of cooperatives in the whole world, two major modes are worth learning: (i) specialized agricultural cooperatives with the United States of America as representative, and (ii) comprehensive agricultural cooperatives with Japan and South Korea as representative.

2 Practice and experience of agricultural cooperatives in the United States of America

In the United State of America, most farmers are large farmers, and the mechanization and facility level of agricultural production is high. Agricultural cooperatives are set up mainly for undertaking special cooperation and services. As a large country of agricultural production, the United States of America seldom has the problem of difficult sales of agricultural products even reaping consecutive bumper harvests. Therefore, apart from satisfying domestic consumption demands, most agricultural products are used for export. Marketing of agricultural products is not only oriented towards domestic market, but also towards international market. In marketing of agricultural products, the circulation cooperatives play a great role and greatly increase the circulation efficiency of agricultural products. In all types of agricultural cooperatives of the United States of America, the circulation cooperatives take up the largest portion.

These circulation cooperatives have historical sales data of local agricultural products, can obtain comprehensive supply and demand information, and have established adequate force to negotiate with retailers and importers, to help farmers reduce formalities of circulation of agricultural products. Many medium and small farmers are weak in warehousing and transportation ability, while cooperatives can provide unified adjustment and allocation of

products they collected, make classified packaging or processing, so as to increase added value of products, and obtain higher market bargaining power, which is helpful for building brands. With powerful transportation and information coordination ability, these cooperatives also can assist farmers in selling agricultural products to other places or even foreign countries. Although services of these circulation cooperatives are concentrated on processing and scales of agricultural products, they also involve businesses of other fields, such as supply of agricultural means of production, financing and credit, technical training, and leasing of large equipment. Many circulation cooperatives have gradually grown to group companies and enterprises and have the ability of controlling market of agricultural products. At government level, American government also provides tremendous support for farmers specialized cooperatives in circulation field. American government provides preferential policies in taxes, allocates lump-sum subsidies for those cooperatives suffered losses, to encourage establishment of farmers specialized cooperatives. Besides, bureau of agriculture and agricultural development center in many states annually allocate funds to cooperatives for subsidize and support development of projects of cooperatives. For example, Southern Cooperative Federation in the North Carolina State mainly undertakes purchase and sales of maize. However, direct sales of maize brings low profit and farmers' income is not high, thus, cooperatives hope to process maize and produce maize products with high added value. In this situation, cooperatives filed application to state government for research and development of maize processing technology projects, and finally they obtained project funds and produced maize cake, maize tea, and cream maize. In this way, they increased sales profit of maize and increased farmers' income^[2].

As an organizational form connecting farmers and the market, the circulation cooperatives in the United States of America provide efficient management of materials and funds for cooperative members, and focus on satisfying demands, building brands and making effort to exploit market. Success of circulation cooperatives in marketing of agricultural products should give the credit to scientific and reasonable service system and well-established organization functions, and also give the credit to preferential policies of government.

3 Practice and experience of Japanese agricultural cooperatives

Different from large agricultural production in north America, land management scale is relatively small in east Asia, including South Korea, Japan, and even China. Many families still undertake small peasant production and management. The representatives of Japanese agricultural cooperative economic organizations are Japanese Agricultural Cooperatives. Their development and management have unique characteristics, take family production and management of farmers as precondition, undertake production guidance, purchase of agricultural means of production, sales of agricultural products, supply of means of living, deposit, credit, in-

surance, welfare of cooperative members^[3]. Levels of organization system of Japanese Agricultural Cooperatives are well arranged. From administrative division in the whole country, it can be divided into three levels: ZEN-NOH (National Federation of Agricultural Cooperative Associations) — County Federation of Agricultural Cooperative Associations — Grass-roots Federation of Agricultural Cooperative Associations. In Japan, nearly every city, county, town, or village has comprehensive agricultural cooperatives, namely, the grass-roots agricultural cooperative associations. About 97% farmers have joined grass-roots agricultural cooperative associations, and 90% agricultural products are sold by agricultural cooperative associations. On this basis, every province has established agricultural cooperative associations and these provincial level agricultural cooperative associations form the National Federation of Agricultural Cooperative Associations.

Apart from comprehensive agricultural cooperative associations, farmers also have established some specialized agricultural cooperatives in vegetable, fruit, and animal husbandry, and provided cooperation of production guidance, purchase of means, and sales of agricultural products in respective industry. Since members of specialized agricultural cooperatives also joined in comprehensive agricultural cooperatives, comprehensive agricultural cooperatives are mainstream and characteristics of Japanese agricultural cooperatives. From the perspective of circulation business undertaken by Japanese agricultural cooperatives, there are following three characteristics.

3.1 High level of vertical integration Many agricultural cooperatives are not only responsible for purchase of agricultural products, but also responsible for classification and deep processing of agricultural products, as well as transport and sales of agricultural products. For example, some agricultural cooperatives establish sales and auction centers in large cities, collect agricultural products produced by separate farmers to facilitate farmers and promote circulation of agricultural products. In addition, agricultural cooperatives may establish supermarkets to avoid the intermediate links. Such highly vertical integration of organizational form effectively reduces transaction cost of agricultural products, increases production efficiency. It not only raises ability of resisting market risks, but also increases income from industrial chain of agricultural products.

3.2 Unique marketing method JA is circulation intermediary between agricultural producers and wholesale market. In the connection between them, as agent of producers, JA adopts some unique marketing methods^[4]. (i) Selling on consignment basis unconditionally. Farmers provide unconditional consignment for JA. In this situation, on the principle of maximum benefit, they make judgment without restriction, determine price flexibly, and sell agricultural products to different wholesale markets in time. (ii) Unified calculation. When farmers sell agricultural products through JA, JA will settle the account at the average price of products with the same specification. Such settlement method is favorable for reducing economic risk of individual farmers. When there

is large fluctuation, JA members still can obtain stable sales income. (iii) Collection of actual service charges. After agricultural products are sold, JA collects labor cost, communication expenses and delivery charges from selling price. (vi) Using services provided by JA in the entire circulation link. When selling agricultural products, JA members will take full advantage of grass-roots JA services, while grass-roots JA will take full advantage of services provided by JA County Federation of Agricultural Cooperative Associations and Grass-roots Federation of Agricultural Cooperative Associations.

3.3 Rapid and efficient information system Grass-roots JA will transmit information of agricultural production information, supply of agricultural means of production, and sales of agricultural and sideline products collected to superior level JA, namely, JA County Federation of Agricultural Cooperative Associations and Grass-roots Federation of Agricultural Cooperative Associations. After summarization and analysis, the superior JA will transmit the information to farmers through the JA information network, to form a nationwide information network. Moreover, JA also keeps a close connection with information system of the Ministry of Agriculture, Forestry and Fisheries of Japan, Agriculture and Forestry Statistical Association, and economic news department. Government can feedback various information to JA for convenience of adjusting work, and guiding farmers to arrange production and sales according to market demands. Efficient marketing of agricultural products of JA is inseparable from attention of government. Japanese government determines status of agricultural cooperatives in laws, to put its development to legalized path. Secondly, it provides various assistance for agricultural cooperatives in economy. Government subsidies for agriculture are mainly allocated through agricultural cooperatives. In construction of wholesale market, processing, transport and storage of products, and construction of scientific research facilities, government will provide high funds. Thirdly, in taxes, government implements low tax system. Fourthly, it provides assistance and subsidies in agricultural insurance. Close attention and great support of government raise ability of agricultural cooperatives for providing comprehensive services. For Japanese agricultural producers, services of JA nearly cover all aspects of agricultural production and rural life. At the same time of connecting decentralized small peasant production and the nationwide big market, they also eliminate worry of farmers about medical care, endowment, deposit, credit, and insurance. Therefore, these greatly strengthen attraction of JA to farmers, and ensure high organizational level of farmers.

4 Recommendations for China

4.1 Government needs further strengthening supervision of and support for agricultural cooperatives Cooperative is not merely an economic organization, it is also an intermediary organization. It connects government and farmers, and also connects industry and agriculture. Therefore, government of all countries attaches great importance to development of agricultural coopera-

tives. Chinese government should take various favorable measures to guide, support and supervise development of agricultural cooperatives, and reduce direct intervention against cooperatives. Besides, it is recommended to prevent the problem of alienation of cooperative development and the elite capture, ensure the property of non-profit organization of the cooperative, prevent democratic management of cooperatives changing to control by large shareholders or runners, leading to support funds and preferential policies only benefiting few elites.

4.2 Cooperatives should implement vertical integration development in circulation field In China, the circulation channel of agricultural products is relatively long. To transform such situation of "intermediate link being happy, while both edges being painful", and make farmers really share profits of transport, processing, and sales, it is recommended to take cooperatives as carrier, and implement vertical integration development, to raise ability of farmers to compete with large enterprises and retailers when participating in management of circulation field. Cooperatives need do a good job in supply of agricultural means of production and services of agricultural machinery and agricultural technology, and strictly control quality of agricultural products and food safety. Besides, qualified cooperatives may establish companies, energetically develop fine and deep processing of agricultural and sideline products, to increase comparative income of agricultural production and management. In exploitation of marketing channel, apart from construction of wholesale market, cooperatives may consider establishment of direct marketing channel, and undertake network selling and docking between farmers and communities.

4.3 Related organizations should establish cooperative network with strict system, to facilitate collection and transmission of information Compared with some developed countries, China has not established authoritative information distribution platform in production and sales of agricultural products. Farmers usually are blind in production and sales due to failure to obtain accurate production and marketing information. This leads to frequent occurrence of difficult sales of agricultural products. To establish such authoritative information distribution platform, related agricultural organizations should actively disclose information, while grass-roots cooperatives should make the production and marketing information available in time. In order to establish nationwide linkage mechanism, China may learn three-level system of Japanese Agricultural Cooperatives. On the basis of local grass-roots cooperatives, it is recommended to establish provincial and city level cooperatives, and finally establish the top level cooperatives at the national level. In this manner, it is expected to make the information communication and transmission more efficient, and accordingly grass-roots cooperatives may take advantage of mutual resources in a better way.

4.4 Cooperatives should expand service scope and strengthen attraction to farmers Attracting more farmers to join in co-

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superior climatic and geographical conditions, Anhui Province is a major province of sericulture production. Cocoon and silk industry is one of top ten pillar industries of Anhui's agricultural industrialization. In 2010, the mulberry garden area reached 0.8 million mu in Anhui Province, ranking the 7th place in the whole country; the silkworm cocoon production reached 31000 tons, also ranking the 7th position in China; the silk production was 40 million meters; pure silk products reached export volume of 22.2428 million USD, ranking the 11th position in China. The total output value of cocoon and silk industry was 4.6 billion yuan, the profit tax reached 400 million yuan, it provided 40000 jobs, promoted 450000 farmers, and farmers engaged in cocoon and silk industry had monthly income of 2600 yuan. Anhui Province's sericulture production takes large-scale and base construction as direction, production areas are gradually moving to base type counties, and it has established organization modes of "company + farmer", "base + farmer", and "company + cooperative organization + farmer". In 2010, the cooperative economic organizations of sericulture production in Anhui Province reached 146 (including 4 provincial demonstration specialized cooperatives), preliminarily forming the superior industrial belt. In large-scale and base production area, sericulture production has certain demands for new professional farmers. For the whole province, it is recommended to strengthen training and education of production and management type and social service type professional farmers. According to survey of Huangshan City Agricultural Radio and Television School, for family sericulture production with the couple as main labor, the mulberry garden area should be 5 mu, the preferred silkworm breeding is 15–20 pieces (8 pieces in spring, 2 in summer, 4 in autumn, and 4 in early winter), the income per household is 35000 yuan, which fails to satisfy employment and income demand of a couple. Calculated at current family production and management situation of sericulture, the sericulture in Anhui Province needs no more than 160000 new professional farmers.

4.8 Prediction of demand number of new professional farmers in Anhui Province in 2030 According to prediction in sections 4.1–4.7, the total demand of new professional farmers in Anhui Province is more than 4.09 million in 2030, including 0.76 million production and management type professional farmers, accounting to 5.7% and 1.1% of total population predicted (72.42 mil-

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operatives is the precondition for development and expansion of cooperatives. However, to realize voluntary participation of farmers, it is recommended to raise attraction of cooperatives. On the basis of specialized cooperation, qualified cooperatives may consider providing endowment and medical care services. In rural areas of China, the problem of empty nest is very serious. If it is able to provide such services for cooperative members, it will obtain more support of cooperative members, then cooperative will have broader development space.

lion), slightly higher than current level in developed countries. Since about 5 million farmers are still engaged in family management and traditional Chinese medicinal material and special forestry products, more than 5 million less than 14.697 million people engaged in the primary industry in the end of 2013, annually reducing 0.3 million people, lower than half of the 0.615 million people reduced in the primary industry of Anhui Province in 2013.

5 Conclusions

Rural economic and social development depends on the personnel. The State Council has decided to reform the household registration system. Thus, the concept of farmer in traditional sense will gradually fade out. Farmer will become a new profession. In this situation, it is urgent to study how to cultivate and educate new professional farmers. To realize four modernizations at the same time, it is recommended to accelerate agricultural modernization, innovate upon systems and mechanism, speed up establishing national system for new professional farmers, and constantly enrich and improve China's rural basic management system. In conclusion, cultivation of new professional farmers is a fundamental and strategic project, and it determines solution to issues concerning agriculture, farmers and rural areas, so it is of profound significance.

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