

Agricultural Cooperative Development and Policy Support in China

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I. Introduction

① previous situation

With the establishment of the household contract management system, they emerged in the middle and late 1980s after the reform and opening up.

the background of the emergence:

① farmer households are facing increased market pressure and difficulties in selling agricultural products, for replacing the original collective unified management with family management;

② small-scale farmers urgently need to overcome the bottlenecks: technology, capital, facility utilization and irrigation in the production process.

③ the economic interests of farmers cannot be guaranteed.

the background of the law

In the process of cooperative development,

- the unclear legal status for coops;
- internal management is not standard;
- farmer members in the cooperative cannot get effective protection on their interests;
- the cooperative development in various restrictions, such as funds, land policy, talent.

The standing committee of the tenth National People's Congress issued The Law of the People's Republic of China on Farmers' Specialized Cooperatives in October 2006. The law went into effect on July 1, 2007. In 2017, the Standing Committee of the 12th National People's Congress amended the Law.

② current situation

More than 2.21 million farmers' cooperatives have been registered with the registration authorities, and the number of farmers who have joined cooperatives accounts for more than half of the total.

The Law of the People's Republic of China on Farmers' Specialized Cooperatives is the only cooperative law in China.

The law stipulates that farmers should account for more than 80% of the total number of cooperative members

The law is adjusted to cover:

- The purchase and use of agricultural means of production by farmers as the main body.
- Production, sale, processing, transportation, storage and other related services of agricultural products
- The development and operation of rural folk crafts and products
- Leisure agriculture and rural tourism resources
- Technical, information, facility construction and operation and other services related to agricultural production and operation.

3. vision

improving the organizational level of agricultural production and operation

realizing the organic connection between small farmers and the development of modern agriculture

improving the quality of agricultural products

promoting agricultural technological progress

providing more jobs for farmers promoting the sustainable development of agriculture

main issues and problems

- ①the proportion of shell cooperatives is too high
- ②the scale of cooperatives is small, and the service ability to members is weak
- ③decision-making by a minority is common in cooperatives
- ④the management of and supervision on state subsidies is not standardized

II. Policy Support for Coops Development

According to The Law on Farmers' Specialized Cooperatives, the supporting measures for cooperatives are:

- industrial policy preference
- direct financial subsidy
- tax preference
- financial support,
- other supporting measures.

There are two types of financial subsidies for cooperatives.

- the special financial fund support for cooperatives. The main target of this support is the demonstration cooperatives of farmers at all levels.
- financial support measures are related to projects.

- From the perspective of operation, if the cooperative enjoying the direct financial subsidy is dissolved, the problem of dealing with the property formed by the fiscal subsidy is quite complicated.
- **The Disposal**
- The amended law endows the relevant departments of governments at all levels with the power to strengthen the supervision.

- In 2008, Notice of the Ministry of Finance and the State Administration of Taxation concerning the Relevant Tax Policies for the Farmers' Specialized Cooperatives, specified the four specific to farmers' specialized cooperatives of tax policy.

There shall be at least five members who meet the provisions of Articles 19 and 20 of this Law

01

It has articles of association in conformity with the provisions of this Law

02

it has an organizational structure that conforms to the provisions of this Law

Requirements for Registration

05

There are in accordance with the provisions of the articles of association of members contributed capital.

04

it shall have a domicile determined by its name and articles of association in conformity with the provisions of laws and administrative regulations;

III. Agricultural Coops Establishment

1. Farmers' participation to AC

- one person, one vote;
- the principle of return of patronage;
- The principle of voluntarism on joining cooperatives;
- The freedom to withdraw from cooperatives
- Disqualification resulting from withdrawal or expulsion .

2. Operation and Management Systems

The autonomy right of cooperatives is mainly reflected in:

- cooperatives can independently decide their business scope in accordance with the law;
- cooperatives independently decide on the establishment of institutions and independent decision of additional voting rights;
- the independent decision member's admission condition;
- cooperatives make their own decisions on outbound investment;
- cooperatives may independently possess, use and dispose of their property

- **Surplus distribution** is an important way for members to realize their economic benefits in cooperatives.
- The cooperative law of China has designed a relatively complex surplus distribution system.

There exists a deviation between the practice of cooperative surplus distribution and the stipulation of the law.



“first benefit”



“second benefit”

3. Access to fund and market information

As market entities, cooperatives obtain funds, technology and information and provide them to their members mainly according to market rules.

○What are the sources of funds of coops?

○How is the mutual assistance of internal funds among coops?

- 4. percentage of commodity production, contribution to economic

The rate of sales of agricultural products through cooperatives is related to the cooperative's business.

The service capacity of cooperatives for their members has been continuously strengthened.

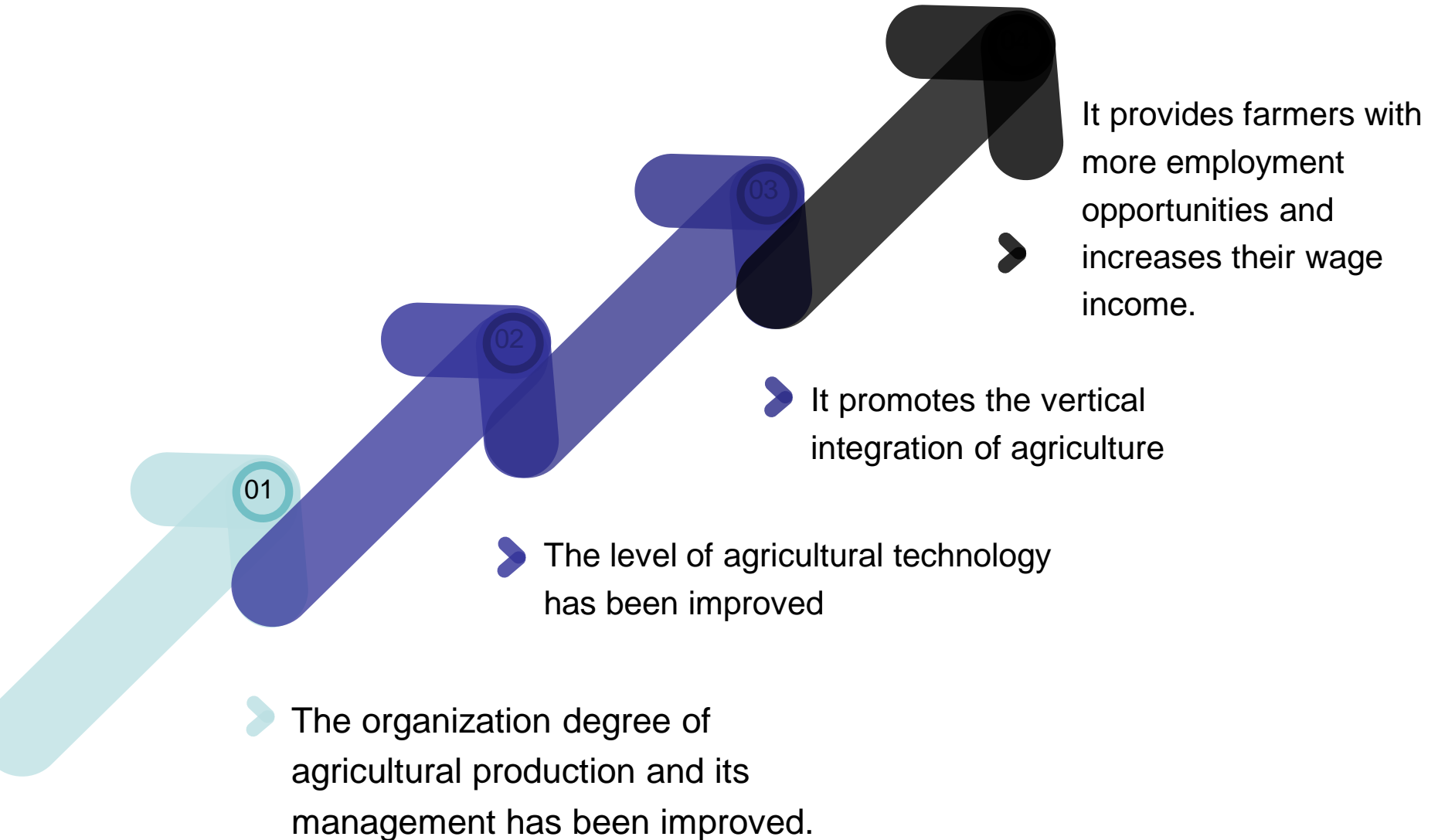
- ✓ over 80% provide agricultural product sales services for farmers,
- ✓ 78.9% provide agricultural technical training services for members, 46 percent provide agricultural product processing services for farmers
- ✓ 48% provide agricultural product transportation and storage services for members.

In the course of their development, some cooperatives have begun to develop new forms of business,

1 30% engaging in leisure and sightseeing agriculture

2 over 50% using Internet technology to purchase means of production and sell agricultural products.

5. advances



disadvantages

small scale effects

not enough
protection on the
rights and interests
of small and
medium-sized
farmers

the lack of
mechanism of risk
sharing

constrained by
funds

6. current situation of AC development

- ① cooperatives converting from service supply to the production and operation;
- ② more and more cooperatives extending the industrial chain;
- ③ more and more cooperatives carrying out e-commerce.

More than 2.2 million specialized farmer cooperatives have covered almost all villages in China, with an average of 3.6 cooperatives per village.

China's current cooperative development policy: activating the development vitality of cooperatives and more effectively promoting the role of cooperatives.

7. The implementation of policies

- From the beginning to its development, China's farmer cooperatives have gradually become the most active market subject in the field of agriculture and rural areas under the joint action of laws, policies, markets and other factors.

- the legal status of cooperatives has been clarified
- most provinces have issued local regulations or people's government regulations on the standardization and development of cooperatives
- the government has issued a series of supporting measures to cultivate and strengthen cooperatives.
- various localities have established corresponding mechanisms to promote the development of cooperatives

8. suggestion and recommendation

The development of cooperatives is influenced by many factors and closely related to the development stage of agricultural industry.

To do:

- ① to improve their internal operation mechanism;
- ② to build a more reasonable profit distribution mechanism and risk sharing mechanism.

As a joint organization of weak entities, cooperatives aim to improve their weak position in market competition with companies and other strong entities.

To do:

① the association and cooperation between cooperatives are very necessary;

② various supporting policies for cooperatives should be tilted towards association of cooperatives.

The following phenomenon of some cooperatives has a negative impact on the overall goodwill of cooperatives.

To do:

- ①to implement precise support for cooperatives;
- ②to improve the withdrawal mechanism of cooperatives.

Credit support is the main means to solve the capital bottleneck in the development of cooperatives.

To do:

➤ to strengthen the tax incentives for commercial banks to provide loans to cooperatives.

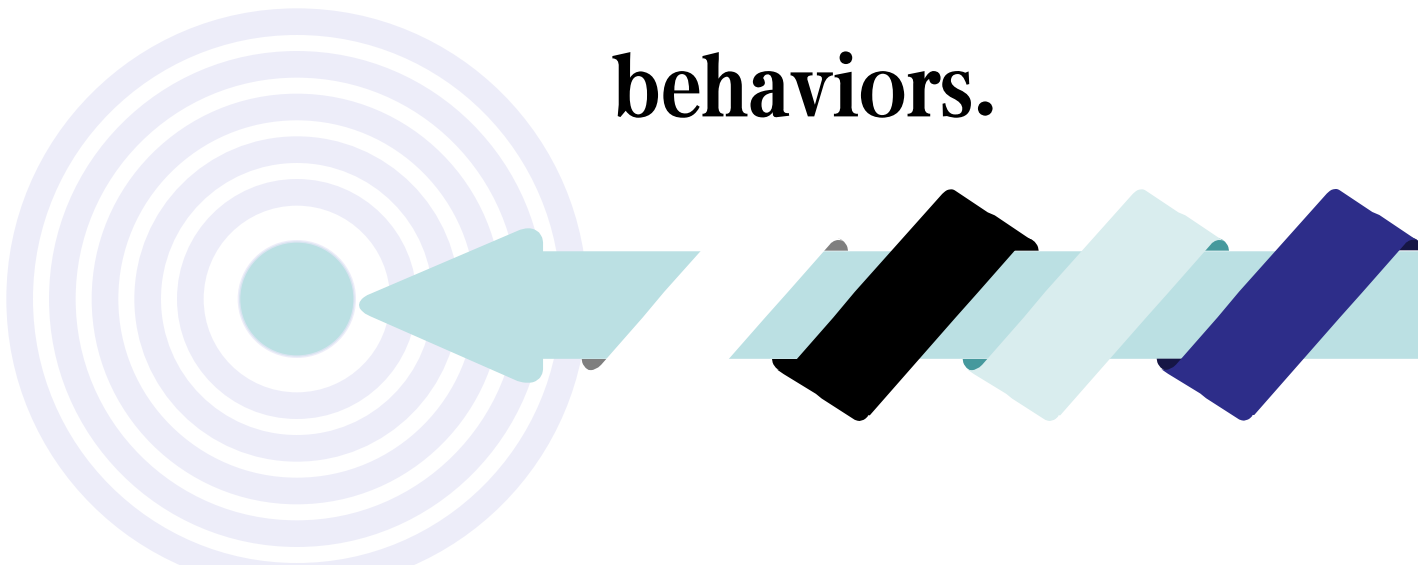
The fiscal subsidy for cooperatives

To do:

- ①to focus on the construction of the public service platform of cooperatives;
- ②to change the unfair phenomenon among cooperatives that may result from the fiscal support for individual cooperatives.

IV. share lesson learn and recommendation

From the experience of the development of cooperatives in China, laws and policies play an important role in promoting their development and standardizing their behaviors.



1. cooperatives' important role in the process of agricultural industrialization development;

pro-poor nature of cooperatives:

- demand of the development of the small farmers
- drive small farmers into the orbit of modern agricultural development

2. to give consideration to both inclusive and preferential policies;

All cooperatives should get equal development opportunities under the principle of fair tax burden.

3. to handle the relationship between the development and specification;

- make clear the bottom line of cooperatives development through the stipulation of the law
- allow a more cooperative autonomous space;

4. The supporting policies - a combination of multiple policy tools;

- fiscal fund subsidies

- tax, talent, insurance, credit and other policy tools

- regional cooperative talent support system

5. A series of basic principles of the
International Cooperative Alliance

Differences in various countries:

laws and policies in combination with
domestic practices.

6. The encouragement of diversified scope of business of cooperatives.

Thank you!