

Research on Farmer Co-operatives' Participation in Chinese Market of Agricultural Products

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Abstract

After the economic reform in 1978, nowadays the market system plays an important role in Chinese agriculture. In 2006 the Bill of Farmer Specialised Co-operatives Law was enacted at the 10th session of National People's Congress in China. Farmer co-operatives become an important entity in the market of agricultural products. How farmer co-operatives participate in market of agricultural products is a research hotspot. The very paper tries to summarise the current situation of farmer co-operatives and market of agricultural products, and at macro and micro levels to analyse farmer co-operatives' participation in market of agricultural products.

Keywords

Farmer Co-operatives, Market of Agricultural Products, Situation Analysis.

1. Introduction

The very paper is the continuous research of the paper *Co-operatives' Participating Paths in Chinese Agricultural Market* contributed in ICEMET 2015 (International Conference on Economy, Management and Education Technology). Based on the result of the abovementioned paper, the project team has finished definite fieldworks by investigating wholesale markets, middlemen, supermarkets, farmer co-operatives and family farms according to the project plan, hereinafter there is the analysis of fieldworks' investigation.

2. Current Situation of Farmer Co-operatives and Market of Agricultural Products in China

2.1 Current Situation of Farmer Co-operatives in China

According to the data from SAICPRC (State Administration for Industry & Commerce of the People's Republic of China), in the end of June 2016 the amount of registered farmer co-operatives is about 1669000, 42.7% peasant households have become members of farmer co-operatives in China. In following figures there is the developing tendency of farmer co-operatives in China (Fig. 1, Fig. 2). In last 10 years benefited from the stimulating policy, farmer co-operatives gradually become an important market entity. Compared with the notable change in the quantity, the contributions' change is more meaningful, especially for co-operatives organised by peasant households. In Fig. 1 and Fig. 2 it is not difficult to judge that in 2013 and 2014 the growth rate is more impressive in Contributions than in Quantity, the related inducements are the profitability of farmer co-operatives, the investments from other sectors, and peasants' confidence in co-operatives.

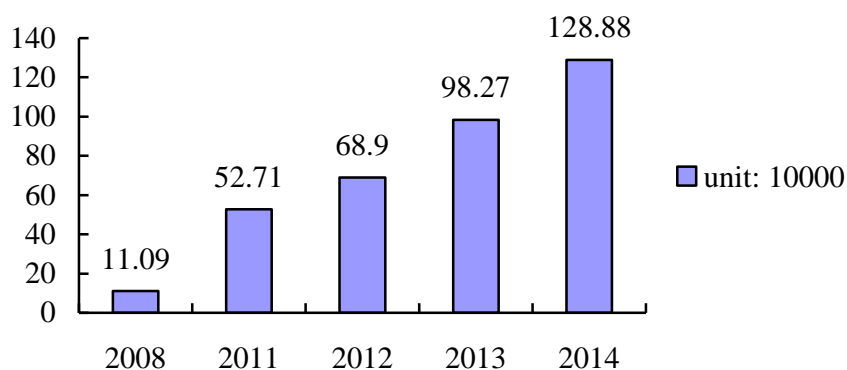


Fig. 1 Change in the Quantity of Registered Farmer Co-operatives in SAICPRC

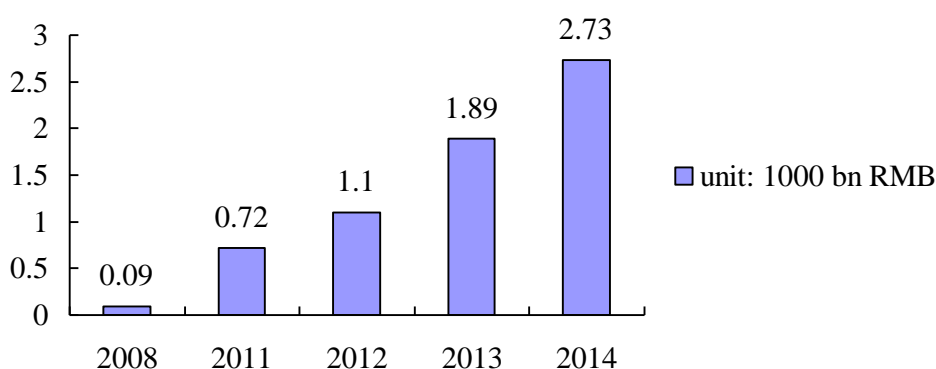


Fig. 2 Change in Contributions of Registered Farmer Co-operatives in SAICPRC

2.2 Current Situation of Market of Agricultural Products in China

After 1978's Economic Reform the market system was totally changed in China, and in last 10 years in the market of agricultural products the change is also notable, as the institutional framework has been reconstructed in some ways. But the facts cannot be ignored, such as the low productivity of peasant household and the unsatisfied quality of agricultural products, in the reflection, there is the rapid growth of urban consumption of high-qualified agricultural products. The income increase of urban citizens is the main reason, which causes more consumption of fresh agrifood, also has totally changed their consumer values, needs and purchase behaviour.

2.2.1 Stable Development of Market of Agricultural Products

In 2014 the total output of fresh agricultural products, including vegetables, fruits, meat, milk, egg and aquatic products, is 1.24 bn tons, with year-on-year growth of 3% [1]. Meanwhile, the market of agricultural products is enlarged by the output's increase stably. In 2014 the volume of business in the very market was 397.853 bn RMB, with year-on-year growth of 6%.

2.2.2 Gradual Improvement of Infrastructure

In 2014 two thirds of wholesale markets of agricultural products obtain inspection centres, 53% of abovementioned markets possess information centres, 42% of them have waste disposal centres, 29.8% of them own electronic settlement centres. In abovementioned markets the total capacity of freezer is 3.32 mil tons, the amount of refrigerated trucks is 75000, with year-on-year growth of 24% and 39% [2].

2.2.3 Innovation of Business Models

New business models, such as 'Farmers – Supermarkets' and E-business, are applied in markets of agricultural products. In total deal of abovementioned markets the proportion of 'Farmers – Supermarkets' is about 15%, more than 1000 chain retailing supermarkets make purchases directly

from about 16000 farmer co-operatives. In 2014 the total volume of E-business trade of agricultural products was above 87 bn RMB, E-business became an important business model in market.

3. Analysis of Farmer Co-operatives' Participation in Market of Agricultural Products

3.1 Analysis at Macro Level

3.1.1 Improvement of the Institutional Framework in Market of Agricultural Products

The Market of agricultural products is an enormous system, which exerts critical influence in trades of agricultural products, incomes of farmers and peasants, and society's stability in China. First of all, the improvement of the institutional framework in market of agricultural products is necessary and urgent, as Chinese economic system is totally different with any countries' in the world. It is the high time to study related successful cases from developed countries, also to analyse domestic practice in market of agricultural products. On the basis of market discipline, considering new market entities and new business models, such as farmer co-operatives and E-business, the old institutional framework does not match the current situation suitably.

3.1.2 Improvement of the Price Mechanism

Among all influence factors in market of agricultural products, the price mechanism is a critical one. Nowadays in China in the abovementioned market the price mechanism is a mixture of the government pricing for several specific agricultural products and market pricing for the rest of agricultural products, in last 5 years the government has released some specific agricultural products for market pricing. A very important tendency appears in China, the price from the largest wholesale markets of agricultural products gradually become the indicator of the state price, the producers, middlemen and retailers make trade according to the abovementioned price. But there is a paradox for the pricing, the government's intervention in the market of agricultural products and the entire freedom for market pricing, as the interests of all stakeholders in the vey market depends on it closely.

3.2 Analysis at Micro Level

3.2.1 Change of Products' Choices for Farmer Co-operatives

The economy of scale caused by co-operatives leads to the rapid prosperity in Chinese agricultural economy. Separating themselves from the planned economy, co-operatives are forced to face the combative contests in agricultural market [3]. Because of the change of the institutional framework and the price mechanism in market of agricultural products, the farmers and peasants, especially the members of farmer co-operatives and family farms, carefully choose the products cultivated by them, as they gradually understand that they produce for the consumers in the retailing sector, but not for themselves. Farmer co-operatives begin to study current situations and developing tendency of the abovementioned market. The old idea 'consumers buy what farmers produce' is transformed to the new concept 'farmers produce what consumers want'.

3.2.2 Change of Participation in Market of Agricultural Products for Farmer Co-operatives

Based on the previous researches and the fieldworks' data, the project team has defined 7 main co-operatives' participating paths into 2 groups: traditional participating paths (wholesale market of agricultural products, agricultural products middlemen) and innovative participating paths (supermarket, contract farming, E-business, agritourism, community supported agriculture) [3]. Farmer co-operatives begin to choose the participating paths in the market of agricultural products rationally. We find out that, the kinds and quality of agricultural products, the geographical position and logistic capacity of farmer co-operatives, the cultural environment and natural landscapes, and the enterprise-scale infrastructure are the critical factors, which frequently determine the participation in market of agricultural products for farmer co-operatives.

4. Conclusion

Compare with 2008's, in 2016 the situation of farmer co-operatives has totally changed, the change in quantity of co-operatives finally leads to the change in quality, the growing contributions of

co-operatives are a very good proof; similarly in the market of agricultural products, the stable increase of agricultural products and the improving infrastructure generate the innovation of business models in China. On the other hand, it is urgent to improve the institutional framework and the price mechanism in market of agricultural products, as the products' choice and participation in abovementioned market for farmer co-operatives are evolving.

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