

Co-operative Practices in Chongqing Agriculture

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1. The General Situation of Chongqing

The city of Chongqing is the youngest municipality directly under the Central Government in China. Its surface area is just over 82,000 sq km, 2.4 times larger than the combined total areas of Beijing, Shanghai and Tianjing, the three other municipalities directly under the Central Government. Its population in 1999 was 30.7 million, 92.4 percent of the total population of the other three municipalities. Chongqing is the largest municipality directly under the Central Government in China.

Yet, Chongqing ranks last in GDP among the four municipalities. The 2000 GDP of Chongqing was 159 billion yuan, only 35 percent of Shanghai's. Worse still, its average GDP is 5157 yuan, only 14.9 percent of that for Shanghai, which is first ranked for economic performance.

The problem lies, in major part, with the low achievement of the rural economy of Chongqing. The agricultural population of Chongqing is 24 million, 80% of the total and 2.3 times the combined 1999 agricultural population of the three other municipalities. Accordingly, Chongqing has the largest countryside (rural) population and the least developed rural economy of the four municipalities directly under the Central Government in China.

Chongqing's rural economy made less progress since the 1978 individual responsibility reforms than the metropolitan economy. Per capita income of city residents increased 7.25 times compared to only 5.1 times for rural people. Agricultural GDP by 2001 had only increased 10.8 times compared to the total for Chongqing of 25 times the 1978 values. Both city and rural Engel coefficients fell by almost 19 points to 54 percent. Cereal output is 10.4 million tons in 2001, increasing only 27 percent over 1978. Pork production, however, is 1.5 million tons in 2001, up 3.6 times.

The rural-urban income gap is large and continues to widen in Chongqing. Rural per capita income in 2000 was only 30% of urban per capita income. The gap had widened another 8% to 4750 yuan in 2001. Furthermore the remote countryside, such as Chengkou, Xiushan, and Shuanqiao is falling farther behind. In 2000, the countryside in Chongqing still had 1.2 million people in poverty. The poverty line is 750 yuan per capita annual income, unchanged since 1993. The Shizhu county per capita income is only 1236 yuan, the lowest in Chongqing city at 18.4 percent of the urban value.

In a word, the urgent problem for Chongqing is how to develop its rural economy. Progress in the rural areas is the key to Chongqing becoming a real modern

municipality. In the new situation of global trade, many opportunities for development exist for Chongqing.

The difficulties and tough challenges to rural development lie with the small farm size and fragmentation of the holdings. Each of the 7.2 million farms may have up to 10 different parcels of land. On average the total cultivated area per household is only 0.218 ha, or 40% of the national average. Each peasant worker has only 0.115ha to cultivate, 42% of the national average. These small holdings are a legacy of the 1978 reforms.

Without doubt, economic competition for resources will be sharper in the future. Market-based competition, as shown by practice at home and abroad, indicates that progress in agriculture may be enhanced by peasant organization. This paper reviews present conditions in Chongqing co-operatives and the requirements for development of cooperative organizations.

2. Co-operative Practices in Rural Chongqing

2.1. The present conditions of cooperative economic organization

A new pattern of countryside cooperative organization in Chongqing is being born. Agriculture and rural economic development in Chongqing is facing up to the new situations and tasks anticipated with China's entry into the WTO. The contradiction between autonomous small fragmented farms and the big market of Chongqing is serious. Furthermore, the ability to provide technology services to these farms through government, falls far short of the demand by peasants. Peasants also seek to increase their incomes and protect their gains from development, under increasingly sharp market competition. Peasants are looking urgently for ways to organize.

By the end of May 2002, there were 2041 cooperatives in a new style. They are made up of 349 production co-ops, 683 marketing co-ops and 1009 comprehensive service co-ops. More than 60 million yuan had been raised by the sale of shares.

The Agriculture Bureau System (extension system) of the Chongqing government developed 349 special purpose production cooperatives, involving 95,200 peasant households. These organizations are mainly a means of bringing improved technology to agriculture.

Farmers, themselves organized 683 special purpose marketing cooperatives with 102,000 members, mainly for livestock. Selling shares raised 20.5 million yuan.

The 1009 comprehensive service cooperatives evolved from the former rural state trading company(s). These are general supply and selling co-operatives with 141,000 member households. The money raised through shares is 35 million yuan.

Research results show that these cooperatives increase peasant's income (Chongqing Bureau of Agriculture, September 2002). An example is Liaoye Village of Zhen'an Town, an impoverished region. In the three years since 1998, the average income per household increased 1300 yuan. The increase is attributed to favorable profit, higher income in the producing-processing link, incentives from patronage dividends and the bonus payments to shareholders at the end of the year. The peasant average per capita

income in this poor village increased from less than 600 yuan in 1998 to 1240 yuan in 2001.

2.2. The main form of the cooperative economic organization in Chongqing.

Chongqing co-operatives come in five forms. One version involves relatively rich farmers who unite to pool labour and capital. A second version builds around a particular production process and is often initiated with help from a government department, such as the Agricultural Bureau. A third version provides technological services with support from the Chongqing government.

A fourth version, called the Chongqing model, is comprehensive service cooperatives and special purpose cooperatives. These originated in Kai County and Liangping County. The main feature of this version is its origin in state rural consumer goods supply organizations or trading 'units'. These former units also purchased specialized farm commodities. When these organizations were opened to market forces, they formed service co-operatives among farmers. These are essentially marketing cooperatives buying from and selling to farmers and rural households, much like the original state rural consumer supply organizations.

The fifth version is an agency cooperative to bring companies and farmers together in a way that protects farmers' benefits, much like a marketing board. They are viewed as "company plus peasant" organizations.

2.3. The main characteristics of the co-operative organizations in Chongqing

In general the Chongqing co-ops have similar characteristics. Whether they were originally set up by the Agricultural Bureau, by State trading companies or by peasant farmers themselves, the co-ops tend toward the following characteristics:

Firstly, they have a "new" organizational form. This form is based on voluntary membership without force. Members buy shares and their asset ownership rights are clear, personal and formally recognized. The co-operative does not interfere in the autonomy of the member's farm or household business operating system. The community does not somehow gain rights over the way households do business. This form is quite different from old-style co-operatives

The second characteristic is the "new" quality and the "new" purpose. The cooperative economic organization is privately run completely. The new quality is about governance. The co-operatives run on the principle "run by members, managed by members". The new purpose is that co-operatives should enhance the peasant's degree of organization and improve the peasants' benefit. The benefits go to the members.

The third characteristic is the "new" system of allocating operating profits. Internally, co-operation is emphasized. Externally, the co-operative competitively pursues profit. Profits after tax and after an allocation to the development reserve fund, must return to the member either as patronage dividends or share bonuses.

3. How to develop cooperatives further in Chongqing

3.1. Membership

Co-operatives have yet to attract a significant number of members. Only 338,000 peasant households have voluntarily joined in all the various kinds of cooperative economic organization in Chongqing. 95.3 percent of the total 7.2 million peasant households have yet to be involved. The cooperative organization's scale is small generally and offers few services. Some of them can't live up to their members' expectations and can't strengthen themselves. This performance is far from Chongqing's policy goals for countryside economic development. Considerably more effort is needed by Chongqing government and by farm leaders if the countryside cooperative economic organizations are to attract more members.

3.2. Standard of operations and management

Chongqing rural co-operatives are in early stages of development. Their organizational level is not strong. Internal management is not sophisticated. Altogether the co-operatives' operating standards do not totally fit the seven principles of the cooperative recognized by the International Co-operative Association. For example, bylaws and operational guidelines such as internal management, supervision, profit distribution and so on haven't been drafted, or have been drafted but have not been put into practice properly. Some organizations haven't adopted a constitution. Some have been founded only to follow a government requirement. Some do not reflect the principle "run by members, managed by members, benefits to the members. Such co-operatives cannot really be called 'new-style' co-ops because they rely on outside administrative leadership. The equal status of the members in decision-making can't be fully realized, a special challenge with multiple share ownership versions. Most Chongqing co-ops use share bonuses to distribute profit.

These departures from the seven principles of the ICA are a disadvantage for the healthy development of the co-operatives. The City of Chongqing should strengthen the internal standards for operations and management. The City government could help co-operatives supervise the application of the seven principles using co-operative education and by investing in institution-building.

3.3. Government's policy and administration for co-ops

The government of Chongqing still uses traditional administrative procedures to interfere rather than to assist co-operatives to develop. A clear policy to favour co-operatives development is needed. For instance, Chongqing still hasn't enacted a co-operatives policy. Co-ops don't have the formal status of a legal person for purposes of contracting and recourse in law. Co-ops do not fit any of the categories of enterprise needed for registration and can only go to the civil administration bureau. Co-ops do not enjoy favourable credit, tax and regulatory arrangements. The government could and should provide more support and less administrative interference for co-operatives, if it believes in the potential of co-operatives to develop Chongqing's rural economy.

3.4. Reforming the comprehensive service co-ops.

Comprehensive service co-ops and marketing co-ops account for about 83% of all co-ops in Chongqing. Reforms have taken place. More and deeper reforms are needed. These co-ops need to focus on agricultural industrialization, using commercial networks and marketing chains. Many issues need to be resolved for successful transition to this value-adding role of the comprehensive service co-operatives. One issue already mentioned is key. Members need to have ownership of their co-operative. A second issue is how to link co-operatives for economies of scale and market power without creating 'super-co-ops' that extract benefits/profit from the network of local co-ops and their members. The semi-reformed co-ops have many employees, including most of the former employees of the state trading organizations. These employees are unfamiliar with the international principles of co-operation. What is to be done with these employees when management is turned over to members looking for greater efficiency? The problem about making the assets rights clear to members, their collective, the government and the legal system is an obstacle to investment by new members. More support by Chongqing for continuing the reforms of these buying/selling co-ops could help attract new members and new share capital.

4. Conclusion

Chongqing is the youngest, largest and most rural of the four municipalities directly under the Central Government of China. The overall performance of the Chongqing rural economy, especially agriculture, is lagging behind the progress in the industrial economy. Co-operatives are a way to bridge the market gap between farmers and markets, and to increase the use of technology in agriculture. Farmers are hesitant to become members in co-ops. The government should consider policy and administrative changes favourable to co-operatives. The Chongqing model of cooperatives is promising and with further reforms can play a big role in modernizing rural Chongqing.

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