

# Exploring Ways and Mechanisms for Farmers' Cooperatives to Participate in Rural Public Services

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**Abstract.** From the perspective of the path and mechanisms of rural integration, this article explores the logic behind the integration of cooperatives into rural governance, using the Hongyuan Farmers' Cooperative in Binchuan County, Dali City, Yunnan Province, as a case study. By leading villagers in development initiatives and embedding itself culturally and socially, the cooperative uses its organisational advantages to promote the healthy economic growth of villages and foster harmonious livelihoods among villagers. Through specific benefit-sharing mechanisms, the cooperative provides governance resources to the village collective, thereby strengthening the community's governance capacity. As the development of the farmers' cooperative progresses, the joint development of rural economic and public governance goals leads to the gradual formation of a new rural governance community. Practical experience shows that integrating the institutional strengths of farmers' cooperatives into rural governance, coupled with internal and external policy management, reshapes the governance structure of different rural governance units. This becomes a new direction for promoting the modernisation of rural governance systems and governance capacities. In essence, this article highlights how the cooperative, by integrating itself culturally and economically into the village, not only promotes economic growth but also empowers villagers to live harmoniously. Moreover, the incorporation of the cooperative's institutional strengths into rural governance redefines the structure of rural management units, suggesting a promising way to modernise rural governance systems.

**Keywords:** Farmers' Cooperative; Rural Management; Embedding; Dali.

## 1. Introduction

On 23 December, General Secretary Xi Jinping pointed out at the Central Rural Work Conference that "the Chinese characteristics of a strong agricultural country require the development of agriculture based on a two-tier management system. Based on the basic agricultural situation of a large number of small farmers, with family management as the basis, adhere to the combination of unification and division, carry out socialised services for small farmers on a large scale, and actively cultivate new types of agricultural management core bodies to form an appropriate scale of agricultural operation with Chinese characteristics". This shows the importance the state attaches to speeding up the construction of a strong agricultural country and strengthening the work of the "three rural areas". By the end of May 2022, there were 2.225 million legally registered professional farmers' cooperatives and 14,500 voluntary associations, providing services to farmers worth more than 880 billion yuan annually. People who have lived off the land for generations generally lack the ability to organise and manage themselves, so how to manage farmers efficiently is the key to agricultural development. Of course, farmer management cannot be separated from grassroots wisdom. It is difficult to achieve results simply by applying modern business management methods, and the profit-oriented corporate form lacks human power. The management of people, the management of things, must come from the farmers themselves, with Chinese characteristics of the moderate scale of farmers' cooperatives is a suitable development carrier. At present, as farmers' cooperatives have become a common form of organisation in modern agriculture, exploring the methods and mechanisms of farmers' cooperatives' participation in rural public services is an excellent and realistic topic.



## 2. Presentation of Problem

Through large-scale operations, farmers' cooperatives have effectively consolidated their efforts to continually drive agricultural development forward. Within the realm of Coase economics, various novel theories such as property rights theory, transaction cost theory, principal-agent theory, and incomplete contract theory have been extensively employed to scrutinize the motivations and efficiencies of agricultural cooperatives. Staatz (1987) notably underscored the pivotal role of reducing transaction costs as the primary impetus behind the inception of agricultural cooperatives. Conversely, Hendrkseg (2001) emphasized the crucial significance of asset specificity in determining the efficacy of these cooperatives. These inquiries have accentuated the cooperative's prowess in curbing transaction frequency, mitigating risks associated with transactions, and harmonizing uncertainties. Since the 1980s, scholars have delved into game theory to analyze the internal decision-making dynamics of cooperatives amid membership heterogeneity. Staatz(1983) pioneered the view of cooperatives as a 'union,' applying club theory and game theory to comprehend their essence. Sexton (1986) further emphasized the cooperative's independent nature, arguing that member benefits are pivotal for enrollment, and coalitions must offer benefits at least on par with alternative organizations to maintain stability. Sexton (1988) also employed game theory to scrutinize members' motivations in agricultural purchasing cooperatives, stressing the equilibrium of cost-benefit distribution. Zusman(1992) crafted a two-stage game model, highlighting that the selection of collective decision-making rules pivots on minimizing transaction costs and member risks, contingent on the significance of diverse groups in the decision-making process. These investigations have elucidated that membership diversity significantly shapes the genesis, stability, and efficacy of cooperatives."

One of the primary roles of farmer cooperatives is to provide social services to members and assist small-scale farmers in transitioning to modern agricultural practices (Xu, 2018). These services encompass productive, business, and financial support. Their effective delivery is crucial for cooperative development and relies on internal capabilities and governmental backing (Wang, 2017). Cooperatives' economic function also lies in capitalizing on economies of scale and augmenting farmers' earnings. Cooperatives aid income growth through diverse strategies like focused breed management and collaborations with prominent enterprises (Guo, 2018). Stronger ties between farmers and cooperatives yield more pronounced income improvements. Concurrently, the vertical level of cooperation within cooperatives affects farmers' earnings. However, deviations in financial support targeting and goal replacements might curtail cooperatives' role in income augmentation (Xiao, 2015). Additionally, cooperatives exhibit a "poverty benefit" trait (Liu, 2017) and serve as an optimal platform for targeted poverty alleviation and eradication (Zao, 2016). Yet, their limited appeal to impoverished farmers might hinder their effectiveness in reducing poverty (Peng, 2018). Farmer cooperatives actively contribute to maintaining the quality and safety of agricultural products (Zhong, 2016). The interpersonal and institutional trust within cooperatives are pivotal for ensuring product quality and safety. Moreover, attention has grown towards the social and environmental functions of cooperatives, such as enhancing farmers' well-being and supporting ecological initiatives through cooperative participation. Extensive research delves into cooperative performance and efficiency, categorized into economic, member income, transactional, and social aspects (Cui, 2017). Among these, cooperatives leveraging bargaining power and possessing strong self-sustaining capabilities enhance members' economic performance, while the distribution system's impact on this performance remains insignificant (Wang, 2016). Overall, China's cooperatives display relatively low efficiency, potentially attributed to inadequate management efficiency and other factors. Farmers' cooperatives play an active role in ensuring the quality and safety control of agricultural products. Interpersonal and institutional trust within cooperatives contribute to agricultural product quality and safety control. Additionally, attention has gradually shifted towards the social and environmental functions of cooperatives. Participation in cooperatives can enhance farmers' sense of well-being and support ecological development. Research on the performance and efficiency of cooperatives is relatively extensive, categorizing performance into economic, member income, transactional, and

social aspects. Cooperatives with bargaining power advantages and robust self-sustainability elevate members' economic performance, although the distribution system's impact on economic performance is insignificant. Overall, the efficiency of cooperatives in China appears relatively low, potentially due to factors such as inadequate management efficiency.

Above research has not delved deeply into the logic of how farmers' cooperatives contribute to rural governance, lacking an in-depth study of their inherent mechanisms and developmental pathways for optimizing rural governance. The focal point lies in understanding how the multifaceted functions of farmers' cooperatives in economic development and social governance are transmitted, as well as their complementary relationship with internal resources in rural governance, aiming to achieve integration with other forces involved in rural governance. Addressing these questions is pivotal not only for propelling the high-quality development of farmers' cooperatives but also for fostering comprehensive rural revitalization and modernizing the rural governance system and its capacity. Using the Hongyuan Cooperative in Binchuan County, Dali City, Yunnan Province, as a case study, sheds light on the pathways and mechanisms through which farmer cooperatives can contribute to rural public service. This example presents a novel perspective and offers innovative ideas for achieving effective rural governance.

### **3. Logic and Path of Participation of Agricultural Cooperatives in Rural Public Management**

The logic and path of farmers' cooperatives' involvement in rural governance revolves around their inherent strengths and their multifaceted involvement in rural public administration. As self-organised entities, cooperatives have organisational advantages that promote greater awareness among farmers and effectively address their needs. Leveraging their geographical advantage and intrinsic social networks, cooperatives are deeply involved in preserving rural culture and maintaining social order, and face minimal resistance in their involvement in rural governance. Involvement in public services not only expands their social network within the villages, but also enhances their social responsibility and significantly improves their reputation in the villages. These rural organisations, using various channels such as organisational and geographical advantages, serve as conduits for farmers to engage autonomously in village governance, facilitating the improvement of individual management capacity. By deepening their interaction with governments, cooperatives can be more responsive to farmers' needs. In addition, their sense of social responsibility and emphasis on cultural heritage play a key role in their participation in rural governance, enhancing their reputation and social value. This multi-pronged approach to cooperatives' involvement in rural governance is not only a manifestation of their development needs, but also an effective exploration of the modernisation of rural governance. Through these avenues, cooperatives not only contribute to rural economic development and social order, but also decisively advance rural governance by enabling direct farmer participation and diversifying rural governance institutions.

Farmers' cooperatives, as a form of self-organised rural power, base their involvement in rural public administration on resource integration. They unite farmers, pool funds and integrate technology, thereby stimulating the development of rural public services. This integration extends beyond agricultural production to include infrastructure development, community education and health support. Such aggregation enables more comprehensive and equitable provision of rural public services, providing more accessible and higher quality services to rural residents. In addition, cooperatives, which are firmly rooted in rural areas, maintain strong links with local farmers and serve as important information hubs. They effectively collect and communicate farmers' needs, while disseminating government policies, social resources and technological information to farmers. In addition, as representatives of farmers' self-governance, cooperatives play an important role in the decision-making and management of rural public services. By democratically aggregating farmers' voices, cooperatives actively participate in decision-making discussions, make proposals and drive problem-solving initiatives. In addition, they facilitate coordination and management, resolve intra-community conflicts, balance resource use, and harmonise government resources with farmers'

demands. Most importantly, as important carriers of rural cultural heritage, cooperatives promote community culture through cultural activities and educational programmes. In addition to establishing public cultural venues and hosting diverse cultural events, they emphasise the localisation of rural culture. By drawing on traditional culture and indigenous branding, they consolidate farmers' collective identity and promote community cohesion and stability.

#### **4. Farmers' Cooperatives Embedded in Rural Public Administration**

Hongyuan Cooperative has consistently embraced the ethos of "re-cultivating the land", expanding from an initial 15 farming households to 1,355 households in nine counties and eighteen cities. Through unwavering dedication, the cooperative has not only established its fertiliser and export companies, but has also developed an end-to-end chain that includes cultivation, harvesting, packaging and sales. This development positions Hongyuan Cooperative as a benchmark for in-depth research into the benefits of management systems. By innovatively exploring the "Cooperative + Farm + Farmers" model through concentrated cultivation, the cooperative enables farmers and financially capable members to become shareholders, with the aim of merging small-scale farming into large-scale operations, thereby advancing modern agriculture. The establishment of cooperative farms through a "removing ridges and connecting fields" approach seamlessly links smallholders to modern agricultural development, secures their stakeholder position and truly secures their income. The establishment of this model not only optimises traditional practices, but also pioneers a preconceived roadmap for village development, enriching the exploration of rural modernisation in China. Through a mutual support system, the cooperative has increased the income of registered impoverished households by actively welcoming them into the cooperative and offering an annual dividend of RMB 3200 per household. Through training and employment, the cooperative has improved the production skills and income levels of these households.

The Hongyuan Cooperative plays a crucial role in the development and governance of the village. The rural landscape in this area is undergoing transformation due to the cooperative's advancement. Tie Yubin and core technical personnel (self-proclaimed as "parents") brought their experience and leadership, facilitating the successful establishment of the Hongyuan Cooperative, shaping it into a pivotal platform for rural governance in Caidian Village. Initially, villagers were extremely reluctant to join the cooperative. "The cooperative's site used to be the old village. Many villagers were unwilling to include their land in the cooperative. I persuaded them one by one. I exchanged my fertile land with them." (Interviewee: Liu Hongyin, Senior Member of Hongyuan Cooperative Location: Plantation Base Date: August 3, 2023) Faced with villagers' doubts, Tie Yubin, then the village head, acted, organizing meetings and urging party members to transfer land resources to the cooperative. Eventually, the Hongyuan Cooperative established its secondary plantation—now cultivating Sunshine Rose grapes—with an annual output value of 9 million RMB and an individual dividend of 20,000 RMB. Importantly, the Hongyuan Cooperative isn't solely an economic organization; it has a broader role within the community. Apart from its commitment to operational management, the cooperative drives local infrastructure development, investing in road construction, promoting village housing development, and establishing fertilizer agriculture industries. It established a protective mechanism for lonely individuals in the village. "There are two lonely elderly people in the village, facing difficulties in farming. The cooperative helps them cultivate grapes, covering the costs. When they need funds, they apply to us. We supervise fund usage to prevent waste or fraud, easing the village's burden." (Interviewee: Tie Yubin, President of Hongyuan Cooperative Location: Office at the Base Date: February 2, 2023) Their land was incorporated into the collective grape planting of the Hongyuan Cooperative at no cost, and the benefits are managed. Monthly living expenses are provided to these widowed, lonely individuals at regular intervals, preventing them from being misled or misusing funds. The cooperative also focuses on employing the elderly and disabled, providing sustainable momentum for village development by involving them in grape packaging or sanitation work.

The cooperative frequently organises training sessions for villagers on grape production techniques and management skills, and holds regular members' meetings. The training has reached over 18,000 fruit growers, making the cooperative's production base a sought-after demonstration orchard for fruit growers from within and outside the county. Under the cooperative's guidance, the entire village has adopted the single-span, high-density grape planting technique, covering an area of nearly 10,000 mu. This has led to a comprehensive transformation and increased efficiency in the grape industry. The cooperative is implementing tiered and intensive management systems for different planting regions, recruiting local planting experts as mentors and establishing a "members' home". These mentors play a crucial role as the backbone of technical expertise, each overseeing the fields of at least five grower families. They provide training and manage planting activities, resulting in labour cost savings of up to RMB 2,000 per mu. These meetings not only cover the cooperative's operational matters, but also include discussions on rural governance issues. This initiative increases members' understanding of and support for village governance, providing a broader foundation for the cooperative's development. Although the cooperative has been integrated into the village government, it hasn't compromised the autonomy of the original political system. On the contrary, the cooperative has struck a balance between internal cultural aspects and external methods of governance, presenting a pattern of diverse entities coexisting harmoniously. This symbiotic pattern not only provides a link mechanism between village autonomous organisations and the national bureaucratic system, but also stimulates the enthusiasm of various entities to participate in rural governance. As the cooperative evolves, the active engagement of social capital, agricultural experts and other rural organisations continues to drive the modernisation of the rural governance system and its capabilities. This practical experience, exemplified by the Hongyuan Cooperative, provides important insights for the study of rural governance.

## 5. Conclusion

Farmers' cooperatives play an important role in exploring mechanisms and ways of participating in rural public services. Through these cooperatives, we are witnessing the emergence of a more inclusive model of rural governance. Under this paradigm, farmers' cooperatives transcend their role as mere economic entities and evolve into a novel governance structure imbued with community cohesion and social responsibility. Firstly, farmers' cooperatives provide a platform for self-management and autonomy within rural communities. Through forums such as members' meetings, these cooperatives enable members to participate in decision-making, fostering a culture of shared governance that is closely linked to grassroots realities and ensures targeted and sustainable service delivery and decision-making. Secondly, this mechanism positions farmers' cooperatives as drivers of community development. In addition to stimulating economic output, they are actively involved in infrastructure development and public service provision, giving new impetus to overall community progress. By organising diverse training activities and enhancing farmers' skills and knowledge, cooperatives broaden community participation, fostering a deeper understanding of and support for governance issues. Through their involvement in rural public services, farmers' cooperatives continually explore innovation and introduce new approaches to rural governance. More importantly, they promote multi-stakeholder cooperation, forging close partnerships with government agencies and other social organisations, fostering a mutually beneficial symbiosis. This not only drives the modernisation of rural governance systems, but also provides a sustainable path to more inclusive and balanced rural development.

In conclusion, farmers' cooperatives, as key providers of public services in rural areas, are actively contributing to innovation and development in rural governance through their adaptable organisational structures, extensive community involvement and sensitivity to grassroots needs.

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