In 1978, China started to dismantle the commune system and the so-called “eating from the same big pot” that existed for decades, i.e. absolute egalitarianism whereby everyone gets the same benefits irrespective of his/her performance. Village land began to be contracted to peasant families on a 30-year basis in most cases and a system of “household contract responsibility” was introduced that set farm output quotas for each household and linked remuneration to output.

This mobilised the peasants’ enthusiasm for agricultural production. But as the market economy developed, the “household contract responsibility” system became less adequate, since it did not sufficiently stimulate modernisation of the farming systems and left small-scale farmers in a weak position on the markets. Hence, agricultural cooperatives were created that facilitate capacity building and joint marketing, often closely linked to (party-led) village-level management. There are currently about 150,000 farmer cooperatives in the country, 1,000 of which are located in periurban Beijing.

Privately owned land does not exist in China; all land is owned by the state (in urban areas) or by village collectives (in rural areas). This fact determines the way cooperatives are organised. Two main forms of agricultural cooperatives can be distinguished:

**Bottom-up cooperatives** (in which farmers themselves play a key role): In some villages (like in the outer parts of the periurban region of Beijing), land is allocated according to land-use rights and managed by the villagers individually. In this situation farmer cooperatives can be built from the bottom up with the small-scale farmers. In this type of cooperative the small farmers establish a contract with the cooperative to which they supply their products and from which they receive training, marketing and other services. Such cooperatives are often relatively loosely organised and their formation might be hampered by the scattered location of the small farmers in the village area. In addition, the bottom-up cooperatives often lack sufficient capital, technology and management skills.

**Top-down cooperatives** (in which governmental organisations and/or large agro-enterprises play a dominant role): In some villages, villagers hold land-use rights, but the land is managed collectively rather than individually, and the village committee will periodically allot dividends to the villagers according to their land-use rights. This situation can often be encountered closer to the cities where land prices are rising quickly as well as new production, processing and marketing opportunities. Since the land is not distributed, the village management may make arrangements for large-scale production (or other land use e.g. agrotourism parks) in cooperation with one or more agro-enterprises and/or a (local, district, provincial) government, if the villagers holding land-use rights agree to participate.

In such a top-down cooperative, the villagers may become shareholders by contributing their land use rights while the external partners bring in capital and/or technology.

Below we present two cases, one of a top-down cooperative and one of a bottom-up cooperative of periurban farmers, to illustrate the strengths and weaknesses of both models in the actual Chinese context.

**THE DINGXIANG COUNTY GREEN FOOD ASSOCIATION IN DINGXIANG: A TOP-DOWN PROCESS**

With a contribution by Mr Xishan Gong, Engineer General in Dingxiang Agriculture Bureau

Dingxiang is a county located in the periurban area of Xinzhou, a small city of about 150,000 inhabitants in Shanxi province. Dingxiang county used to be...
called a “National Commodity Grains Production Base”. However, due to booming industrial development, many farmers started to spend most of their time on non-agricultural activities, since this brings them much more money. They consequently paid less attention to their farmland, which – despite good natural conditions – has a low level of productivity due in part to outdated agricultural technologies and lack of adequate marketing.

To promote agricultural development in this area and meet the urban residents’ demand for healthy food, Xinzhou municipality together with some agro-enterprises in Dingxiang County (e.g., Huarun Steam Meat Company, Wutai Mountain Seeds Company), the Agricultural Techniques Promotion Center (ATPC), and farmers, jointly established the Green Food Association (GFA) in 1994. This was the first agricultural cooperative in Dingxiang county. In that year, 432 small-scale farmers joined the association; membership increased to 1,216 in 2003. GFA’s main products were millet, corn, sorghum, and all kinds of vegetables, mainly capsicums.

The Dingxiang Green Food Association was sub-divided into three professional branch organisations: capsicum association, vegetable association and miscellaneous association. Members were also organised into fifteen groups according to the distances between the villages in the county and the number of members per village, in order to facilitate the collection of the agriculture products, provision of agricultural inputs and the dissemination of information and techniques.

OPERATION AND MANAGEMENT OF GFA
ATPC, enterprises and small-scale farmers were required to sign contracts with the association and each had to fulfill the corresponding obligations and rights.

The agro-enterprises were contracted to supply the farmers with the required agricultural inputs (seed, fertilisers, etc.) and to take care of the processing and marketing. Their contract included a condition that they carry the market risks (quantity and the minimum price of the products to be sold that year).

Once these contracts were established, the GFA contracted ATPC to provide technical guidance and supervise farmers’ planting (the contract contained the condition that ATPC had to compensate the farmers’ loss if their products did not meet the technical requirements of the agro-enterprises) and the interested farmers had to deliver certain amounts of agricultural produce (and they carry the natural risks).

In this way, the farmers could pay full attention to planting without worrying about the marketing of the products.

BREAK UP OF GFA; NEW FUTURE FOR THE COOPERATIVES IN DINGXIANG
Agriculture in Dingxiang was greatly stimulated by the establishment of the GFA, which proved that the establishment of agricultural cooperatives is important and that difficulties experienced by farmers in gaining access to information, technology, capital and markets can be solved in this way. The establishment of such an association also enhanced the scale of production and reduced the risk for both enterprises and farmers.

Unfortunately, the association broke up in March 2006 when ATPC had to withdraw from the association because a new provincial policy determined that a government organisation cannot be part of any commercial organisation. The new policy seeks to reduce the fiscal burden of the provincial government and to encourage farmers to pay for the technical services they receive.

The new policy led to the breakdown of GFA. Without financial support from the government and technical support from ATPC, the farmers’ production process could not be supervised and subsequently the association could no longer guarantee the quality of products when signing contracts with agro-enterprises. Obviously, GFA depended too much on the government and ATPC to sustain itself without them.

Thanks to the farmers’ experiences in the period between 1994 and 2006, which demonstrated to them the important role an agricultural cooperative plays in the development of agriculture and in increasing farmers’ incomes, various agriculture cooperatives have been established since GFA broke down (e.g., a Vegetables Cooperative and a Corn Seeds Corporation). However, so far the experiences of these cooperatives have not been very satisfactory, due in part to the low technical credibility of their leaders (compared to the ATPC officials). Many farmers still hope that GFA will be re-established, since they believe such a top-down organisation will function better in this less-developed region than a self-managed organisation.

In any case, a more appropriate type of agricultural cooperative has to be developed in which farmers and agro-enterprises play a more important role than governmental departments. That is why Dingxiang authorities are interested in exchanging information on bottom-up approaches to the organisation of urban and periurban farmers with other RUAF partners.

HUAIROU GRAPE COOPERATIVE
With a contribution by Ms Xiaojing Zan, Chairperson of Huairou Grape Cooperative

The Huairou Grape Cooperative is located in Huairou district, a mountainous periurban region of greater Beijing with an agreeable climate for certain crops and attractive scenery for urban tourists.
HISTORY OF THE COOPERATIVE

After completing a two-year study programme organised by the China Grape Association Beijing Branch, Mr Qingzhong Zhao, together with his wife Ms Xiaojing Zan, rented in 1998 a piece of land of 20 mu \(^1\) from the Angezhuang village commission and built up 5 greenhouses to grow 17 new varieties of grapes. The business was so successful that in 2000 they rented another 50 mu of land from Liuyanzhuang village to expand their activities.

The success of their grape farm stimulated local farmers to start initiatives of their own. They came to the couple asking for planting materials (which were initially given for free), technical guidance and marketing support. When more and more producers started to consult the young couple, it became too much of a burden and they could no longer afford to give away seedlings for free.

By then, the couple had begun considering the idea of establishing a supply-production-marketing cooperative. The cooperative would take care of the marketing of their products, including cold storage facilities to store grapes that cannot be sold directly to the markets.

The initial phase of setting up this cooperative was not easy due to the lack of launching capital. Ms Zan persuaded her family to sell their home and gathered in this way 20,000 YUAN to initiate the cooperative with a dozen farm households as members. Standards for growing grapes and regulations for operating the cooperative were defined. By 2004, the cooperative was officially registered as “Huairou Fruit and Vegetable Production and Marketing Cooperative”, although currently its production is still focused only on grape growing. Ms Zan was elected as chairperson for the first term of five years, mainly because she had demonstrated her skills as a marketing manager for the cooperative.

After two years of operation, the cooperative proved to be quite successful and the number of members increased to 1,108 households. In 2006, the gross output of grapes reached 3.1 million kg, with average income per mu up to 15,000 yuan (more than 40 times that of traditional grape growing). It is obvious that the members of the cooperative have increased their incomes substantially.

TRAINING SERVICES SUPPLIED BY THE COOPERATIVE

The cooperative not only supplies high-quality young plants at low prices to its members, but also provides training and technical advice. Mr. Zhao provides technical assistance to farmers under the condition that they buy their young plants from him. Every Monday is consultation day for grape farmers. Since 2002, the cooperative has been gathering information about grape production, including the latest developments about grape growing from the internet, and makes this information available to the farmers. Technicians from the China Agricultural University, Beijing Agricultural College and China Grape Society are invited (and paid) by the cooperative to provide advise when more complicated problems are encountered and to provide training on the latest grape growing technologies. So far, the cooperative has organised 8 training workshops for more than 3,800 participants, and more than 20 domestic and foreign grape varieties have been introduced in this way.

The cooperative has also adopted a programme of “learning new things by going outside” and has organised ten study trips to Hebei, Shandong and Tianjin for a total of 640 participants. This activity broadens not only the farmers’ knowledge but also their production and marketing channels.

MARKETING SERVICES

The cooperative applies three main marketing strategies. The first is to establish contracts with supermarkets. Subsequently the cooperative makes contracts with its members to pre-book the growers’ products. Members sell about 30% of their grapes in this way. The second strategy is to sell grapes to tourists (“pick your own fruits”). Since Huairou is located in a scenic mountainous area, thousands of tourists from Beijing visit the region each year, many of whom enjoy picking grapes at local farms. Members sell some 20% of their products in this way. The third strategy is to sell cold-stored grapes in the off season for much higher prices. The cooperative was able to build a 100 m\(^2\) low-temperature storage facility thanks to a 100,000 yuan grant from the Huairou scientific commission. This prolonged the selling period by eight months and allowed the cooperative to obtain the trust required for long-term relationships with big traders.

CHALLENGES AND FUTURE PERSPECTIVES

This bottom-up farmer cooperative has broken new ground. Its success demonstrates the effectiveness of this new type of organisation. However, based on the experience of Huairou Grape Cooperative, some challenges can still be identified:

• The cooperative is still highly dependent on its founders, Ms Zan, the chairperson and able marketing manager, and her husband Mr Zhao, who is very skilled in grape growing. This couple still does an excellent job and they complement each other very well. However, the cooperative needs to train more persons to take on various specialised technical and management tasks and to take over from the actual leaders when the need arises.

• Small bottom-up cooperatives like the Hairou Grape Cooperative encounter problems in obtaining sufficient government support and generating the capital needed for required investments (cold storage, drip irrigation).

• The most urgent task of the cooperative is to register and advertise its own brand and develop its own high-level green food certificate for its supermarket channel.

• Agritourism (sightseeing, fruit picking) is a good approach for raising the value of the agricultural products, since urban tourists show a strong interest in eating or buying local food and experiencing the production and harvesting process. More research on agritourism and the taste preferences of urban citizens is needed.

NOTE

1) 1 mu equals about 667 m\(^2\).

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