

## Research on the *Nongchaoduijie* Program and Operation Diversification of Farmer Cooperatives in China

中国の農民專業合作社における農超对接および経営多角化に関する研究

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The “Law of the People’s Republic of China on Specialized Farmer Cooperatives” was enacted in 2007, it provided legal status to farmer cooperatives and has contributed to the significant increase of farmer cooperatives in the past years. In 2008, the *Nongchaoduijie* program (Farmer and Supermarket Link-up) was launched by the Ministry of Commerce together with the Ministry of Agriculture, which encourages large retail chains to purchase agricultural produce directly from farmer cooperatives or production bases in an effort to resolve difficulties farmers face in selling fresh produce, build up modern distribution systems, and generally increase farmers’ incomes. This paper provides a comprehensive understanding of the *Nongchaoduijie* program and thus attempts to clarify how farmers endeavor to find diversified paths to achieve greater benefits, based on the detailed case studies in Zhejiang Province.

Chapter two starts by laying out an overview of the development of cooperatives following the foundation of the People’s Republic of China in 1949, in which we can see that the government’s governance has played a crucial role in agricultural reform in China; and the recent government policies in promoting farmer cooperatives explained the great emergence of farmer cooperatives after 2007.

Chapter three attempts to shed light on issued policies, as well as programs that have been launched by the government that promote production and marketing of agricultural products in China. Among these the *Nongchaoduijie* program was given special attention due to the fact that it was the first and the most widely promoted and spread program compared with the other two programs. We also illustrate the three crucial factors that were regarded as the motivation behind the *Nongchaoduijie* program. Finally, we talk about the policies related to the *Nongchaoduijie* program that were issued mainly by the central government from 2008 to 2013.

In chapter four we look at the current situation of *Nongchaoduijie* program and provided a comprehensive understanding of how the program is practiced in reality based on a case study from Zhejiang Province. The idea of *Nongchaoduijie* seems to be feasible theoretically as it can reduce cost in the marketing chain and save time from field to store by purchasing directly from producers. However, this program hasn’t been carried out effectively despite the fact that it has been promoted by the central government over the past years. This is due to the supermarkets create requirements that are difficult for the farmer cooperatives to meet (such as the size of

farmer cooperatives). As for government policies, in addition to launching pilot programs and providing subsidies to newly established farmer cooperatives, there are very rarely guidelines available on how to develop and operate farmer cooperative effectively in the current environment.

On the other hand, we also want to know what governance and management of other cooperatives look like. Therefore, in chapter five we explore the current operating status of farmer cooperatives and how they seek a possible diversified path of development in order to achieve greater benefits whilst regarding the farmer cooperative as the basis. We find out that most of farmers establishing farmer cooperatives with the purpose of obtaining government subsidies. Farmer cooperatives attempt to carry out diversified business models that can happen in three ways: 1. Cooperatives conduct agri-tourism and gradually transform into agricultural tourism-oriented companies. 2. Core members set up a new agricultural company operating the cooperative and the company at the same time. 3. Core members transition to Jiating Farm, operating the cooperative and the Jiating Farm at the same time.

We give our conclusions in chapter six. The enactment of the Farmer Cooperative Law in 2007 and the launch of *Nongchaoduijie* program showed that the government has tried to improve the organizational level of small-scale farmers and modernize the distribution system.

Our study also reveals that most of the cooperatives in China are not true cooperatives, rather existing in name only. They haven't greatly improved the organizational level of farmers nor implemented good management mechanisms. Irrespective of what business models farmer cooperatives apply, at present they are no different from the agribusiness companies in terms of their organizational structure and decision-making facets. Both the Farmer Cooperatives and the Jiating Farmers are family-controlled agribusiness company-like entities.

Farmer cooperatives looking for diversified paths could be viewed as a positive response to the industrialization of agriculture brought about under the current institutional environment in China, which has reflected the efforts made by the central government to expand the scale of agricultural production. Although these methods of business may or may not become mainstream in the foreseeable future, it does however, exemplify the governmental guidance for agricultural production as it currently stands.