

Study on Supervision System of Chinese Specialized Farmers Cooperatives: Experience of the Korean NongHyup*

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Abstract

Purpose - The Chinese government's policies and funds enable specialized farmers cooperatives to develop vigorously. However, the non-systematic supervision system affects the interests of farmer-members of these cooperatives, which are similar to the Korean NongHyup in many aspects but differ in their supervision systems such as distribution. Therefore, this paper aims to identify the problems of specialized farmers cooperatives, and obtain some insights from NongHyup.

Research design, data, and methodology - Data were collected from farmers, the government, and cooperatives in northern China's Shandong Province (the cities of Jinan, Qingdao, Weifang, Linyi, and Heze) through a literature survey, case analysis, and comparative analysis in each city.

Results - 1) Specialized farmers cooperatives should establish a transparent regulatory mechanism and be subject to dual supervision from both the Chinese government and farmers. 2) The Chinese government and civil society should offer more support to the cooperatives, and strive to change farmers' backward attitude through education and training.

Conclusions - Small cooperatives could merge into large ones and undertake social responsibility through the establishment of labor unions.

Keywords: Specialized Farmers Cooperatives, NongHyup, Supervision System, Distribution Implications.

JEL Classifications: O18, O57, P25, P52.

1. Introduction

The specialized farmers cooperatives budded in the 1980s in China, and they are still organizations that the government encourages now in order to improve the development of rural economy and farmers' income. Different from the primary, intermediate and advanced agricultural production cooperatives at the beginning of New China, these organizations are symbolizing a new trend of rural social and economic development in China. But some problems, especially in the supervision system appeared. In this regard, Korean NongHyup that has a relatively mature supervision system will be a good example for the sustainable development of specialized farmers cooperatives.

A variety of studies on NongHyup and specialized farmers cooperatives are appearing in the Korean and Chinese academic community. In Korea, most studies investigated the role and value of Central NongHyup and Local NongHyup in many respects. Korea University(2011) presented a long-term challenge for the development of cooperatives after a qualitative and quantitative evaluation of accomplishment. Some studies mainly focused on the operational efficiency of cooperatives, pointed out some problems and gave the improvement suggestions. It is because that the dominance of monopolies in the market is decreasing and the market share of cooperatives was improved with the development of Korean transportation and communications, the qualitative and quantitative reduction of farmers, the business environment surrounding the Local NongHyup that the competitiveness of agriculture and NongHyup is to be weaker in the globalization was rapidly changing. For example, Kim (1999) examined the management efficiency of NongHyup from a financial management perspective, and Hwang (2003), Lee & Park (2010), Kim, Lim, & Lee (2013), Na (2014) proposed some reasonable and effective solutions after they inspected an efficient management of local NongHyup with an analytical method of DEA.

Compared to Korea, most studies in China barely pointed out problems of specialized farmers cooperatives and tried to find out appropriate plans. This is because the specialized farmers cooperatives are still facing an primary stage of development. For example, Huang & Xu (2005) argued that the small land,

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the farmers' differentiation and the lack of cooperative entrepreneurs were factors that restricted the development of specialized farmers cooperatives, and Zhang (2009) pointed out that some specialized farmers cooperatives had been controlled by the farmers who controlled most shares, whether the farmers who were engaged in the agricultural production and sales would become the stakeholders of cooperatives or not, and determined the health of cooperatives. Xu & Wu (2010) inspected the development of specialized farmers cooperatives in Zhejiang province, and then found out that it was an effective way to improve the performance of specialized farmers cooperatives by improving the management system, especially the internal system, and Huang, Fu & Xu (2011) argued that a poor management was the main factor that results in the low efficiency of specialized farmers cooperatives based on the Bootstrap-DEA method.

However, most studies on supervision of specialized farmers cooperatives used the empirical analysis method with data of cooperatives. In fact, these studies were lacked in the reference of international cases. Cook (2004) pointed out that how to realize a balance of fairness and efficiency by improving the level of management is a challenge to cooperatives. But some specialized farmers cooperatives didn't solve the problems and even damaged the interests of members. To this, Yuan (2001) pointed out that the phenomenon of alienation frequently appeared in the farmers' cooperatives, and Pan (2011) found out that the principle of specialized farmers cooperatives had appeared in the way of field survey to specialized farmers cooperatives, because the symptoms such as "fake cooperatives" and "cooperatives with a few members" appeared. In addition, Deng & Wang (2014) pointed out that most specialized farmers cooperatives didn't follow the law of specialized farmers cooperatives and turned into organizations such as "enterprise" or "enterprise + farmers" through a case study.

Based on the above consideration of previous studies< Table 1>, this paper will focus on the specialized farmers cooperatives in China's northern regions for the sustainable and efficient development of specialized farmers cooperatives and find out an effective supervision system of specialized farmers cooperatives through referring to the supervision experiences of Korean NongHyup.

2. Supervision System of Chinese Specialized Farmers Cooperatives and Analysis of Impact Factors

2.1. Materials and Methods

According to the definition of ICA, the cooperative is an autonomous organization that was formed by people who want to meet the cultural, social and economic needs and requirements through a business that is jointly owned and democratically operated. In other words, the purpose of its establishment is to improve the social, cultural and economic status and to satisfy their desires by realizing an economic scale through the voluntary cooperation activities of members who stand for the economically vulnerable groups. So, the cooperative can be said that it is an organization that has an ownership with many members, and has the characteristics of enterprise, co-ownership, democratic management and pluralistic goals (Hansmann, 1996).

The word of cooperative emerged in the rural areas of China a long time ago. Many cooperatives such as SHG, the primary, intermediate and advanced production cooperatives and People's Commune appeared at the beginning of New China. These cooperatives are collective organizations that were implemented after the farmers gave their lands and farm tools to the cooperatives, and they are organizations where the rest of profits were distributed to members according to their work after the farmers paid part of the profits to state and collectivity. They were organizations different from the specialized farmers cooperatives, and the supply and purchases cooperatives, the credit cooperatives are all different from the specialized farmers cooperatives. The specialized farmers cooperatives have the characteristics of enterprise and have been developing with the support of agricultural policies and funds that were implemented by Chinese government. In fact, these cooperatives began to appear after the reform and opening up, but they didn't receive the recognition and protection of the government, so they only developed in the economic development zones -Zhejiang region (Jiangsu Province and Zhejiang Province), not in the nationwide at that time(Huang et al., 2002). According to the "Law of Farmers' Professional Cooperatives in People's Republic of China" that was announced on October 31, 2006, it defined that the specialized farmers cooperatives have officially appeared since on July 1, 2007.

This study will consider the supervision of Chinese specialized farmers cooperatives from the aspects of farmers, govern-

<Table 1> Review of Previous Studies

Efficiency of NongHyup		Inefficiency of Specialized Farmers Cooperatives		
Researchers	Contents	Researchers	Contents	Limitations
Korea University (2011)	Evaluation of accomplishment	Huang & Xu (2005)	Restricted factors	·Empirical analysis is mainly used. ·Reference of international cases is less.
Kim (1999) Hwang (2003)	Financial management	Zhang (2009)	Stakeholders of cooperatives	
		Xu & Wu (2010)	Management System	
Lee & Park (2010)	Local NongHyup	Huang et al. (2011)	Empirical Analysis	
Kim et al. (2013) Na (2014)	DEA analysis	Yuan (2001)	Phenomenon of alienation	
		Pan (2011)	Fake cooperatives	
		Deng & Wang (2014)	Organizational structure	

ment and cooperatives through the cases in northern China - Shandong Province (Jinan City, Qingdao City, Weifang City, Linyi City, Heze City, each 2) These cooperatives have the characteristics of small-scale (1-10 people), 50-60-years-old and lower than high school education (union president and members). Firstly, the supervision of farmers is informal and the level of farmers' endowment affects the supervision. Secondly, the supervision of government is formal and the degree of government's intervention affects the supervision. Thirdly, the enactment and modification of the act, the scale of cooperative and the establishment of supervision system also affect the supervision. So, this study will mainly use such methods as literature survey, case analysis and comparative analysis, etc.

2.2. Problems on Supervision of Chinese Specialized Farmers Cooperatives

If we study the law of Chinese farmers' professional cooperatives, we can find that if the farmers want to apply for the establishment of specialized farmers cooperatives, they must go through a certain process and can freely participate or quit in the specialized farmers cooperatives, in the meanwhile they can receive financial funds from the government. In addition, the president of specialized farmers cooperatives who is elected among members has the same rights and obligations as other members and should assign the profits to members in accordance with their contributions. It is said that the specialized farmers cooperative is an organization that can distribute income to members without a commercial purpose, and it is a special enterprise that can profit when it deals with other economic agents (Zhang, 2011). It ultimately aims to protect interests of farmers and increase income for farmers. Until February 2014, the number of specialized farmers cooperatives has reached to 10,388 million and the total assets has reached to RMB 2.04 trillion and occupied 1.69% of the total Chinese enterprises according to statistics (Chinese Specialized Farmers Cooperatives, 2014).

However, the rural labors of China today are already in an aging society, the young labors who are remaining in the rural areas are very lack, and the distribution of rural populations is disproportionate and the utilization of land is very low. This can be found that most members of the above cases are 50-60-years-old. Due to those reasons, the scale of farmers depending on the agriculture production can't be expanded, the labor forces in the agricultural production are also fewer and the efficiency of agricultural production is very low. And in some cases, the families that are lack of labor forces abandon the lands and cause the waste of land resources. In view of this, it is judged that the imbalance of distribution among the labor forces will be solved through the institutional innovation of specialized farmers cooperatives.

As above, it is true that the labor forces are very insufficient owing to the increase of women left behind and the aging of rural population of China. Now, more villages which lack young labors are appearing, and the agricultural production is stagnating or retreating. Under this background, if the government effi-

ciently uses the rural elderly and female labor forces through the specialized farmers cooperatives, it can let them participate in the agricultural production and jointly engage in the agricultural production. And if the government lets them get more information of rural markets and expands the scales of market and job opportunities, the level of income can be raised. It may be said that it is not only consistent with the current situation that the rural labor forces of China are in shortage, but also suitable for the modern, machinery and large-scale development of agricultural production.

Now, Chinese people who are over 60 years old account for 15% of the total population (200 million people), and most of them are living in rural areas. And rural women are also occupying a large proportion in the total population. These people have a low level of education and knowledge, and have no knowledge on agricultural production and self-interest protection. They have no idea about market fluctuations and beneficial policies from government, and they show no interest. In addition, it is true that the farmers only passively received the policies and funds from governments or village cadres because they had held a self-sufficiency consciousness for a long time, and they did not know how the government policies can help them and how many losses they might suffer. As a result, there were many problems in the specialized farmers cooperatives. In particular, the "false, empty and lifeless" phenomenon frequently occurred owing to the lack of supervision systems. The cooperative of Weifang City is just this example. Although the Chinese government had enacted the law that gets the specialized farmers cooperatives involved, the cooperatives became organizations that do not protect interests of farmers because it is difficult to practice according to the law. It means that the problems on supervision of specialized farmers cooperatives are very serious.

These problems can be mainly found in the application of establishment and developing process of specialized farmers cooperatives. As is known to all, China's territory is very large, all regions are disproportionate, and the rural areas are complex. Compared to the relatively developed southern areas, most farmers in the northern regions fail to understand the relevant regulations of development and establishment of specialized farmers cooperatives, even don't know the meaning and value of specialized farmers cooperatives. The cooperatives of Shandong Province are the representative cases. So, some people exploited the weaknesses of farmers and deliberately recommended the farmers to take part in the specialized farmers cooperatives. After arriving at a certain number of members that are appointed in the law, they began to apply for the establishment of specialized farmers cooperatives and obtained the funds of government. However, instead of being used for the development of specialized farmers cooperatives and increase of farmers' income, the financial funds were abused by the president of cooperatives and the profits were not allocated to the members. The reason is that the president of cooperatives thought that he obtained the profits by his efficient management and embezzled the profits. So, not only the legitimate rights and interests of members are infringed, but also the national interests are dam-

aged, and the government's wish for the development of rural economy went against the establishment of specialized farmers cooperatives. As a result, the cooperatives became illegal means by which minorities want to promote the interests using the farmers' ignorance and peasants' consciousness. These cooperatives accounted for over 50% of the cooperatives that were investigated.

Agriculture-related local authorities have been designated as management agencies according to the law of specialized farmers cooperatives, but NDRC, Ministry of Finance, State Administration of Taxation, Ministry of Land and Resources, ACFSMC, CAST, Economic and Trade Commission, CBRC still have an effect on the development of specialized farmers cooperatives. The symptoms such as confusion and extortion often appeared in these institutions, and the cases that do bad things often happened. In addition, the township government interfered with the development of specialized farmers cooperatives, too, even in some areas Disabled Association requested funds of disabled employment to the specialized farmers cooperatives (Lou, 2011). After all, the promotion of development of specialized farmers cooperatives was regulated in the local laws or government documents, but the accurate and appropriate promotion is still being sought.

2.3. Analysis on Factors Affecting the Supervision System of Chinese Specialized Farmers Cooperatives

According to the supervision issues and developing process of specialized farmers cooperatives, the following factors may affect the supervision system of specialized farmers cooperatives.

Firstly, owing to the lack of the specific mention on supervision in the law of specialized farmers cooperatives, some cases that went against the law garbled the farmers. The level of education of farmers is very low, the vision is also narrow, and the awareness of the world is not enough. Because they are lack of the basic knowledge of specialized farmers cooperatives and experience of operating system, and there is not a clear organization system, it is not possible for them to succeed even if they want to cooperate. In addition, it can be regarded as a factor that limits the farmers' cooperative ability, because most farmers who are engaged in the agricultural production experienced a period of People's Commune and had a fragmentary perception of farmers' cooperatives (Zhao, 2007). As a result, some farmers regarded the specialized farmers cooperatives as People's Commune or the rural collective economic organizations, or regarded the specialized farmers cooperatives as enterprises, because they couldn't distinguish whether they are members of specialized farmers cooperatives or not (The research practices are all these cases). The reasons will be shown as follows.

1) The investment between members is very different. In general, the presidents or major members of cooperatives invest a lot, but the general members don't invest or invest a little. For example, the office and the infrastructure of fixed assets were mainly provided by the presidents or major members of

cooperatives. 2) The labor time is very different. The management of specialized farmers cooperatives was mainly done by the presidents or major members of cooperatives, the general members didn't interfere that. 3) The transaction of large farmhouses is bigger than the general members (Kong, 2014). In general, when the large farmhouses and enterprise set up a cooperative, they attracted farmers' participation because they needed farm lands, but they separated the farmers who leased or transacted lands from the cooperatives after they got lands through the transaction of lands. In addition, some regulations of law are the guidance on establishment and management of specialized farmers cooperatives and beneficial terms also exist terms, but the law has not been generally enforced. In other words, the reason that people keep the law of cooperatives is not for getting the punishment, but for getting the profits (Deng & Wang, 2014).

Secondly, the factors of specialized farmers cooperatives that are facing with the problems affect the supervision system. 1) In the institutional aspect, the cooperatives were the result of development of laws and civil society in the Western world, but its foundation was not yet formed in China. 2) In the market perspective, Chinese farmers haven't yet formed an efficient market competition. 3) In the aspect of social basis, the selfish presidents of cooperatives replaced entrepreneurs with a cooperative spirit. 4) In the government's incentive aspect, only the efficiency of production rather than the development of all the cooperatives is emphasize, because China's government policy is not a social policy, but an industrial policy. So, the specialized farmers cooperatives were dominated by the large farmhouses or people who have the ability and turned into abnormal cooperatives (Ma, 2014).

In addition, in the farmers' aspect, the absence of farmers is related to the low awareness of specialized farmers cooperatives, the social image and credibility. Firstly, the farmers do not know the specialized farmers cooperatives. According to the statistics, 41.5% farmhouses knew nothing or only a little. In other words, the low awareness of cooperatives restricted the influence of cooperatives in the rural communities, and the motivation of farmers who knew a little about cooperatives. One of the reasons is that the farmers do not believe the head of cooperatives, most farmers thought that the head of cooperatives didn't know management and a few farmers thought that the cooperatives turned into a tool for these who have power to promote self-interest in rural communities. Since the investment in the cooperatives has been abused or embezzled, the farmers rejected to participate in the cooperatives. Secondly, the farmers do not know the identity of cooperatives. Because they thought that the cooperatives are similar to agribusiness enterprises, and will not provide the profits to members with the profit-making purposes, even the price is rather lower than the selling price of farmers who did not participate in the cooperatives.

Thirdly, the lack of talents and alienation of specialized farmers cooperatives affects the supervision system of cooperatives. China's social structure changed a lot after the reform and opening up, but the rural communities are still influenced by the traditional consanguinity, geopolitical and family solidarity.

Therefore, the farmers only contact between acquaintances, instead of following the cooperative agreement, and lack of excellent farmers entrepreneurs is also a problem. Because a majority of shareholder of cooperatives manage the risks of cooperatives, the dominion and the demand rights of the surplus profits naturally result in the major shareholder (Yuan, 2013).

The subjects of establishment of farmers' professional cooperatives are a few large farmhouses. For example, the university students who support the agricultural production, township government, village cadres, the agricultural agencies (Science and Technology Association, Supply and Purchasing Union, Credit Union), the leading enterprises and other directors of economic agents. There are not many specialized farmers cooperatives that were founded by farmers themselves. Therefore, the property structure of specialized farmers cooperatives is changed and this change causes an error in policy-making system, the phenomenon that the president of cooperatives decided on their own appeared. As a result, the farmers play a supporting role and arrive in a position that is marginalized, so the value that represents the interests of farmers and private property of specialized farmers cooperatives will also drop. It can eventually determine that the specialized farmers cooperatives that are led by the farmers will change to the cooperatives that are led by large farmhouses (Zhao, 2013).

Although the Chinese government has ruled in the official documentations that the specialized farmers cooperatives should be regularly managed, there are many difficulties in the implementation of policies. 1) The farmers do not understand the legislation and law of specialized farmers cooperatives, and they are lack of consciousness to protect their interests. They don't respond to illegal actions violating their rights and even do not defend the rights and interests. 2) All levels of government don't investigate the actual operating conditions of specialized farmers cooperatives in rural regions, or will be cheated by someone or some phenomenon even if investigating. The township governments and local governments need these spoofed organizations as demonstration sites, in order to save their faces. 3) The different scale of all specialized farmers cooperatives and lack of unified leadership result in the in systematical management among the cooperatives.

3. Experience from Supervision of Korean NongHyup

Korean NongHyup appeared in 1961 and was organized by the Ri-Dong cooperatives, City•County cooperatives and Federation. Because there were only 100 members at that time, the independent promotion of business was very hard. As a result, more than 20,000 Ri-Dong cooperatives were incorporated to 1,500 Town cooperatives through the large-scale merging movement. It turned into a formal member of ICA in December, 1972, and the comprehensive development project of Saemaul Income for increasing farmers' incomes was also been carried out in 1977. In the 1980s, City•County cooperatives were merged to the Federation, and the professional cooperatives

were reorganized into the Federation. The president of cooperatives and Central Chairman were elected among members in 1988 and the democratic operations were also been enhanced with more than two-thirds of the Federation Council members forming the presidents in 1994 (Kim, 2011).

Today, NongHyup has Central NongHyup and 16 branches, 2,843 million farmers, 2,402 million individual and corporate members as an independent association and organization and an agency of government policy for the improvement of farmers' rights and economic status (NongHyup, 2014). It mainly has the economic business, credit business and education business. 1) The contents of the economic business mainly include decreasing cost of agricultural production, reformatting circulation system of agricultural production, expanding scope of marketing, establishing direct supermarkets and outlets of agricultural products, guaranteeing safety of agricultural production and food, promoting development of sustainable, green and global animal husbandry, innovating circulation system of animal husbandry, increasing added value of agricultural production, etc (Kim & Gwon, 2013). In this way, the price of chemical fertilizers and pesticides was cut down to 21.1% and 2.5% each. 2) The contents of the credit business mainly include developing domestic banking, local financial institutions for convenient service, special agricultural financial institutions, the nation's financial institutions for service, financial institutions which can lead the financial business, the bank of the social responsibility banks for practice, etc. In this way, more than 60% of farmhouse bonds in the mid-1970s were lowered to 13.9% in 1990. 3) The contents of the education business mainly include promoting communication between the urban and rural areas, increasing farmers' welfare, contributing to the society, protecting farmers' rights and interests, holding culture and arts activities, etc. In this way, 5 million farmers' children received the scholarships of 37.3 billion won (Korea University, 2011). The training of farmers in cooperatives was developing to a professional, practical and pluralistic direction, and the training targets were extended to ordinary farmers, farm copartners, common staffs and citizens. NongHyup has contributed to improving the living standards of farmers and promoting the balanced development of national economy by increasing the farmers' economic welfare, culture and others, as well as increasing the competitiveness of agriculture. Chang (2010) presented the social and economic contributions of cooperatives from the aspects of competition measure function, reduction of transaction costs, market regulation, community maintenance function.

NongHyup implemented a transparent, fair and humanized management mode, so it got the above achievement. Firstly, NongHyup not only made seven laws and provisions which were related to the development of NongHyup such as "The Act of Korean NongHyup", "The Command of Implementation in Korean NongHyup's Law", "The Specification of Implementation in Korean NongHyup's Law", but also made an appropriate change according to the change and development of times, in order to promote the development of NongHyup as laws. Secondly, there is a clear division of responsibilities among internal organizations of NongHyup, and all organizations mutually

coordinate and supervise. Central NongHyup implements economy, credit, and education & training business, Local NongHyup includes Central NongHyup and NongHyup & CukHyup for cooperating with Central NongHyup. And NongHyup timely publicises the performance of management and banking, and evaluates the clean of cooperation. Thirdly, NongHyup establishes a reasonable talent mechanism and attracts excellent members to participate in it by all kinds of systems, such as the equal employment and respect for human rights, all kinds of rewards, the increase of welfare, the protection for women and the endowment insurance. Fourthly, NongHyup advocates "Movement of Loving Countryside and Poverty Alleviation of Enterprise". Until 2013, 570 thousand people had become members of "Movement of Loving Countryside ", 2,370 people had taken part in the activities of medical volunteer, 1,385 people had taken part in the activities of improving the living environment (NongHyup, 2014). The movements that Korean NongHyup promoted and the contents can be found in <Table 2>. These movements had a major impact on the complement of supervision system of cooperatives and accomplished the following result.

<Table 2> Movements of Korean NongHyup and Result

Years	Name of Movement	Main Contents		
1965~Now	New Farmers' Movement	Dispatch of instructors Rural movement that the farmers become pioneers		
1992~2002	Urban and Rural Jointly Movement	Urban and rural mutual help Products' direct transaction business solving the urban and rural problems		
2003~Now	Love of Rural Movement	One cooperative, One Village urban-rural exchanges through twinning		
2005-2009 (Average)	Creation Effect	Allocation	Mutual Finance	Educational Support
	Benefit (Billion Won)	2,196	13,880	7,008
	Per Member (Won)	89,594	566,289	285,919

Source: Korea University (2011).

And NongHyup has an external audit system. External regulatory authorities of NongHyup are TBAI, MAFRA, Financial Supervisory Service, NACF, and Local government. TBAI monitors the policies of NongHyup's business associating with government agencies at any time and Financial Supervisory Service has the supervision right on the credit business. NACF has the audit right of advising on the entire work of NongHyup and local government has the supervision right on assistance business. The Audit Committee of Federation is made up by five members including the chairman and the chairman executive. The Audit implements the audit practice in accordance with the procedures and methods of the audit provisions and implements rights of supervising the financial and business execution among NongHyup sectors, attaching comments to the settlement report, requesting accounting oversight of Federation, supervising and reporting the limits of disclosure and subsidiaries, claiming the maintenance of misconduct and using assistants of supervising

(NongHyup, 2014).

Thus, NongHyup focused on management philosophy and operating methods in the supervision aspect. NongHyup adjusted the organizational structure depending on the economic and social changes and NongHyup decomposed the Federation into the Federation which has supervision of three independent legal entities and is responsible for education, advising and mutual financial affairs, and is reforming a new cooperatives system in March, 2015 after the law of NongHyup was modified (NongHyup, 2014). It is determined that Local NongHyup can foster their productions to the Economic Corporation, Economic Corporation can't reject the consignment of local NongHyup in order to strengthen the sales function (Kwon et al., 2007). However, because Local NongHyup including Central NongHyup have a competitive relationship in the economic and credit business, and they don't form a cooperative Win-Win relation, the bureaucratization problems are also appearing in the process of election and management.

4. Conclusion: Implications on Supervision of Specialized Farmers Cooperatives from NongHyup

As described above, Chinese specialized farmers cooperatives are still in a rudimentary stage and it is difficult to develop efficiently owing to problems on management, so it is necessary to establish a supervision system. In contrast, because Korean NongHyup has developed for several decades, it has established a systematic and relatively mature supervision system. So, NongHyup may provide some suggestions on efficient and sustainable development of specialized farmers cooperatives.

Firstly, from the aspects of farmers, Chinese farmers should actively participate in the rural activities, and improve their knowledge of agricultural production and life. In order to realize this, the Chinese government should provide the support, such as training on the specialized farmers cooperatives for the farmers' education.

Secondly, from the aspects of government, the Chinese government should increase the farmers' understanding of specialized farmers cooperatives and persuade farmers to actively participate in activities that can protect farmers' interests, improve their income and develop the cooperatives.

And the government should also formulate policies and rules of cooperatives' development and management, implement measures such as the subsidy and tax exemptions, attract the participation of private enterprises, and encourage them to act more aggressively. The cooperation services and encouragement system will be formed through this. The government should also establish service-related organizations in order to provide better service to the farmers. The effectiveness of organizations will be improved, the successors of agricultural production will be brought up and the sustainable development of cooperatives can also be promoted in this way.

In addition, the government should establish the project re-

view system, evaluation system and incentive system and appropriately modify the agriculture-related cooperatives' law. The government should formulate the policies that have an encouragement and supervision system to develop the cooperatives and operate in accordance with the law, in order to realize correct effects of policy. For example, the cooperatives that don't comply with the law should have a training otherwise their benefits will be demolished. If the cooperatives don't divide subsidies to members on average or use the subsidies against the requirements of law, their benefits will be demolished or should be averaged in accordance with the requirements of law or the number of members. The surplus and the policy revenue will be back to all the members.

Thirdly, from the aspects of the cooperatives, the specialized farmers cooperatives should receive the dual supervision of Chinese government and farmers through modifications and complements of the law of cooperatives. The cooperatives should ensure the allocation of profits and transparency of management through a transparent financial system, basically protecting farmers' interests and establishing a strict supervision system, such as supervisory databases, monitoring system and audit system for reacting to the cooperatives that are operated by the large farmhouses and leading companies.

The cooperatives should improve the market competitiveness or the large-scale management and promote the endogenous growth by merging some small cooperatives to large cooperatives. In the development of up-down style, the government should design the system and promote them in a balanced way. In the development of down-up style, the farmers should explore the self-management structure through the innovative spirit.

In addition, the specialized farmers cooperatives need the active participation to establish a rational and effective supervision system. The large-scale, nationwide and unified cooperatives (like Korean NongHyup) should macroscopically support for the development of all regions and help the farmers establish the agricultural direct transaction sites in the city. In addition, each cooperative should provide all kinds of the latest market information to farmers and increase the farmers' income through the democratic management, and should establish a labor union to assume their social responsibilities.

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