

# The Organizational Operation of Farmers' Specialized Technology Association (FSTA) in Yuanshi County Hebei Province

## L'OPERATION ORGANISATIONNELLE DE L'ASSOCIATION DE TECHNOLOGIE SPECIALISEE DES PAYSANS(FSTA) DANS LA REGION YUANSHI DE LA PROVINCE DU HUBEI

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**Abstract:** This paper examines NPO, a FSTA in Yushi County Hebei Province, focusing its organizational operation and evolvement process of property right system. The paper found that evolvement of property rights system is experiencing a 'Cooperative System → Joint Stock Cooperative System → Joint Stock System' process. Other newly established associations might replace the previous functions of mutual aid and service.

**Key words:** Organizational Framework, Organizational Operation, Property Rights System

**Résumé:** Cet essai examine une organisation non lucrative, un FSTA dans la région Yuxi de la province du Hubei, se concentrant sur son opération organisationnelle et l'évolution de son système du droit de propriété. L'essai trouve que l'évolution du système du droit de propriété connaît un tel processus : Système coopératif → Système coopératif de stock joint → Système de stock joint. D'autres associations dernièrement établies pourraient remplacer les fonctions précédentes d'aide mutuelle et de service.

**Mots-Clés:** cadre organisationnel, opération organisationnelle, système du droit de propriété

### 1. A BRIEF INTRODUCTION TO FSTAS' EMERGENCE

Since the reform and opening up to the outside world, the widespread rural area of China has conducted the Responsibility System<sup>1</sup> between 1979 and 1984, which has broken up the past policy of People Communes System. It has developed rural productivity as well as greatly improved output of farm produce, and solved farmers' living problems at a large level. However, although the Responsibility System is a more efficient systematic arrangement relative to Centralized Management by Production Team, with the improvement of rural productivity and the development of the commodity economy, the internal contradictions of the system have been gradually unveiled and turned into an important factor to innovation in the economic system in rural area.

There are two basic prerequisites in the emergence of any rural cooperative economic organization: the

development of a commodity economy and the widespread existence of independent commercial producers (Wang 1996:12). Since a series of reforms focusing on implementing the Responsibility System in wide rural areas of China, as a result, commodity economy has made rapid progress, and more than 200 million farmers have become independent commercial producers, which has laid the foundation for the emergence of rural cooperative economic organizations. As a result of this achievement, FSTA was established and it will be discussed in details in the following section.

### 2. THE OUTLINE OF THE FSTA'S ORGANIZATIONAL FRAMEWORK

The FSTA in Yuanshi County was founded in October 1992, when there was only a Breeding association. It has since successively established 7 specialized associations including an agricultural association, forestry and fruit association, vegetable association, edible mushroom association, apiculture association, dairy cow association, and a stock-cooperation committee (carrying out unified Capital running and financial management), which possesses more than 20,000 members (Gao 2004).

<sup>1</sup> A system giving responsibility for production and provision of livelihood to individual families-rather than to collective units as had been the case in the communes. Farmers leased assets from the government for which they had to pay set fees but could keep as profit any excess earnings.

\*Received 11 January 2006 ; accepted 1 May 2006

These organizations are called Hebei Province Yuanshi County Agriculture Forestry & Stockbreeding Union. 234 village-level associations were established in the whole county and nearby prefectures, and each of village-level associations has 1 or 2 directors. After many years' hard work, the FSTA has gradually become a rural cooperative organization; it is established an organizational network which has the following structure : the Union → specialized associations → village-level associations → members. Its core activities are scientific technological demonstration, technological promotion, and technological service, while its content covers agriculture, forestry, stock farming and processing. Furthermore there are clear

regulations and archives management among the union from each association, village-level association to each member, and special director certificates and member certificates have been introduced. A Property rights system, namely Member Congress System, which core is member ownership system, has been established. In 1997, with the support of Chinese Science and Technology Association, the FSTA, Agricultural and Forestry Science Academy of Hebei Province and Agricultural University of Hebei jointly set up "Cross-century Training Center", namely Agricultural Correspondence College (Gao 2005). The outline of organizational framework of FSTA in Yuanshi County is described as the following table.

**The Organizational Framework of FSTA in Yuanshi County**

Category	Branch Association	Contained prefecture	Staff		Village-level Association	Member	Bases
			Usual employee	Graduate from university			
number	7	4	23	64	234	21650	10

### PROCESS OF PROPERTY RIGHTS SYSTEM

Members of the FSTA are divided into two types: Tight members (FSTA's faculty and directors) and loose members<sup>1</sup>. They are not registered as FSTA members, but they have close relation with FSTA, since can be taken as FSTA's members in the broad sense. The directors of FSTA are generally major players in their field of specialization, who have a high technological or business organizational ability, certain literacy or professional knowledge, and close relations with the government and the market. The directors are always linkages between FSTA and ordinary members.

Tight members and loose members have different rights and obligations. Tight members have rights to be employed, to elect, to be elected in the FSTA, and have rights to use fixed assets as well as attend training courses held by Agricultural Correspondence College. Staff may also be paid. Tight members must obey the regulations and rules of FSTA, and can be rewarded or be punished. Both tight and loose members have obligation to defend FSTA's reputation and interests. Loose members cannot be employed by FSTA<sup>2</sup>. Although a Member Representative Congress System had been established, the results of the fieldwork showed that: loose members do not have any rights to elect or to be elected, except for electing directors of village-level associations.

### 3. THE ORGANIZATIONAL OPERATION AND EVOLVEMENT

<sup>1</sup> The faculty of FSTA means full-time workers who are employed by FSTA's service system or economic entity can be paid.

<sup>2</sup> Interview in March 2003.

#### 3.1 Mutual Aid Characteristic at the Beginning Stage of the FSTA

Since mutual aid of technology combinations in production activities can hardly exist without combination of capital in the conditions of a commodity economy, it is inevitable that capital combination will occur among members. Once the mutual aid of capital combination has occurred, the organizational pattern will generate an evolving "growing point". According to theoretical analysis of enterprise organizational evolution of modern economics, once the capital combination of mutual aid organization has formed, the "micro-enterprise" will come into being (Zhang 1998). Micro-enterprise normally adopts the organizational pattern of "partnership system", which means partners agree to share parts of works and capital, meanwhile sharing a proportion of profits as well as deficits and debts. Micro-enterprise often uses verbal agreements and simple written cooperative contracts.

At the beginning stage, the FSTA had above-mentioned characteristics, when there was mutual aid of capital, it was often limited in one deal and can be shared according to win or loss, and its organization was confined to a few persons. In fact, there was not large scale Co-accumulation and Co-wealth. Although this kind of simple "cooperation" can solve problems that can not be physically or economically resolved by one member, which can have certain positive effects in technological promotion and exchange of information, it is difficult for this kind of property rights system to realize agricultural scale economy, and it is destined to quickly turn into other kind organizational pattern and

property rights system.

### 3.2 The Differentiation of Strata Inside the Organization

With the development of the FSTA, on the basis of original form, organizational pattern of mutual aid cooperation with more capital combination was formed according to members in production and operation. Utilizing the opportunity for technological cooperation, members of the FSTA had raised funds to purchase related production materials, special personnel were assigned to help members to contact purchase channel and to provide pre-production and production services. Thus, FSTA came to play an important role in providing rural socialization services.

In order to overcome the shortcomings of the cooperative system, the breeding association has normally depended on major founder members or directors, so some members (major founder-members or directors mainly) differentiated from the organization and collected capital to establish some kind of economic entity, from which they then composed the stratum of "partial members possession type". As the result, the members had been differentiated into "tight members" and "loose members".

In China, many tight members of FSTA will utilize the FSTA brand to establish some kind of economic entity, which is aimed at making profits (Gao 2004). In 2001, Hebei Province encountered a serious cold winter, some of young plants of 8901-type high-quality wheat seed provided by FSTA to farmers died or smutted, which resulted in one-third decrease in production per acre. As for tight members' losses, FSTA had given compensation for claims, but for loose members, no compensation was confirmed. As a result, some loose members left the association. Because the wheat planting areas for each loose member occupied from 1 to 5 Mu (1Hectare = 15Mu) only, the loss was not big, and no loose member made strident claims.

During this period, the common members' relationship with the FSTA was relatively estranged, and gradually evolved into a relationship between ordinary customers or trade partners, which was a premonition that the FSTA was gradually developing into an industrial operation organization.

### 3.3 Transforming to Joint Stock Cooperative System (JSCS) of the FSTA

On the basis of absorbing the rational contents of cooperative system, the FSTA has adopted in Joint Stock System to reform the cooperative system, and has established a new system, namely the JSCS. The new system is based on cooperative system and used for references on Joint Stock System, and learns from privately-owned enterprises have historically been

other's strong points to offset its weaknesses. It created a new Enterprise organizational style by combining working cooperation and capital alliance, both of which are put into practice.

After implementing JSCS, the FSTA has entered a new stage of development. Inside the organization, supervisory committee and member representative congress system (MRCS) have been established, and business leading work has gradually been increasingly undertaken by professionals who possess specialized knowledge and management experience. After implementing JSCS, as an Interest Group in the market economy, the FSTA focuses more on profits earning rather than services, and the non-profit character of cooperative economic organization is reflected mainly by treating internal members with preferential policies. Ordinary members can also pay for shares to become a shareholder. The FSTA has defined the largest number of shares (20 shares) that each ordinary member can subscribe. In the next year, dividends are returned by ration stocks or distributed according to win-loss situation to members. Due to the new implementation system, ordinary members that have become shareholder are still few.

The FSTA still fulfils functions like technological promotion, technological training, informational communication and organizing scattered farmers into markets. Meanwhile, several people who hold the most shares of FSTA are differentiated from all tight members, and form a new stratum, namely core leader members of the Yuanshi FSTA. The internal management policies of the FSTA are mainly focused on serving the economic interests of core members. Therefore, these core members are the biggest beneficiary of the organization. They can gain economic scale benefits through organizing the FSTA. The cooperative character of the FSTA is further weakened. Ordinary members have no policy management rights, and have no right to elect or to be elected, so cooperative possibility is smaller and smaller.

## 4. THE DEVELOPMENT PERSPECTIVE OF FSTA IN YUANSHI COUNTY AND THE CONCLUSION

Therefore, it can be thought that FSTA in Yuanshi County has gradually developed and has possessed a certain development scale and economic strength. Since its internal operation and management is not scientific and standard, the FSTA is in fact in the hands of several individuals. When their economic power becomes strong enough to control this organization, it is possible for them to turn the cooperative team into their private firm. In fact, inside the FSTA, the cooperative factor has become less and less. In China, many rural linked with FSTAs. In other words, many people run

enterprises started from FSTA, and after the FSTA has developed to a certain level, they recombine their capital and utilize FSTA's invisible assets (such as sales networks, operation and management experiences, etc) to form corporate organizations on the basis of core members. In Sichuan, some already-formed large-scale private enterprises have more or less undergone such a process (Gao 2004).

FSTA in Yuanshi County will also establish Hua Yuan Group in the next a few years, introduce a share-holding system, and it will likely evolve into a share-holding company and become an economic entity completely aimed at making profits. Other newly-established associations might replace the previous functions of mutual aid and service

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