

Machinery Cooperatives in China

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Last week I was able to return to China to give a series of workshops on cooperative development. We traveled throughout the Heilongjiang province which is the grain producing region of China. This is an exciting time for cooperative development in China. Much of the land is in small holdings which was a result of breaking up the communal farms into individual holdings. While the field sizes are large, up to several thousand acres, they are broken into a patch work quilt of small 5-10 acre blocks. China developed enabling legislation for cooperatives around 10 years ago. There are currently over 400 agricultural cooperatives, many of which have been developed in recent years. The economic rationale for the cooperatives is to allow the small holders to combine the land so that they can obtain scale economies. I was able to travel throughout the Heilongjiang province and visit half a dozen cooperatives.

Most of the recently formed cooperatives are machinery cooperatives. One of the primary functions is to pool the land so that it can be farmed using large scale, western machinery. Most of the cooperatives also jointly purchase inputs such as fertilizer and fuel. Some have grain drying and handling infrastructure while other collectively bargain with grain brokers. One of the cooperatives we visited was an alliance of 15 machinery cooperatives. It functioned similar to marketing and fertilizer alliances in Oklahoma. The alliance had few assets but rather it collectively purchased and marketed for the member cooperatives.

Most of the Chinese cooperatives are what we would term multi-stake holder cooperatives. They had three groups of members: investor members, producer members and employee members. That structure provided some unique benefits as well as unique challenges. The cooperatives did clearly illustrate the value of the cooperative business model. The total revenue and profits from grain production were 200-300% higher for the machinery/production cooperative relative to the previous results of the small landholders.

Next time I'll discuss some of the unique challenges of multi-stakeholder cooperatives.

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