



# CAPITALISING ON EXPERIENCES

**IAC – Wageningen UR  
Agri-ProFocus**

Giel Ton

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**Needs identification for a Training Program “Establishment of Rural  
Specialized Economic Cooperatives in Hunan Province - China”**

Yongding District and Fenghuang County, March 19-27 2005

**International Seminar on Cooperative Development in Hunan Province**

Zhangjiajie, June 4-5 2005



## MISSION REPORT

# ***CAPITALISING ON EXPERIENCES***

**Contracting party:**

- Project Management Office – Agricultural Bureau Hunan Province
- Royal Dutch Embassy Beijing

**Contracted party:**

- International Agricultural Centre – Wageningen University and Research Centre
- On behalf of: Agri-ProFocus, Dutch public private partnership for agricultural producer organisations in developing countries

**Mission leader:** Ir Giel Ton

**Assignment:**

*Formulation of Training Program “Establishment of Rural Specialized Economic Cooperatives” in Hunan Province – China*

**Field mission date:** March 17<sup>th</sup> – 25<sup>th</sup> 2005, June 2<sup>nd</sup>-8<sup>th</sup> 2005

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## **1. MISSION BACKGROUND**

The identification mission to formulate a training program for cooperative development has been contracted by PMO-Hunan and the Royal Netherlands' Embassy in Beijing through Agri-ProFocus. Agri-ProFocus is the Dutch public private partnership for agricultural producer organisations in developing countries, and has a constituency of Dutch universities and research centers, organisations for development cooperation, ministries, cooperative businesses and specialized consultancy firms. It is meant to become the 'knowledge center' on producer organisations, based on a wide range of experiences both in the Dutch and European cooperative sector as in international activities to strengthen producer organisations through cooperation for development.

Agri-ProFocus supported the mission of staff from WUR-IAC to make a needs assessment on training for producer organisations, to be matched with the existing expertise available (or to be mobilized) in Agri-ProFocus partners. The mission took place March 17<sup>th</sup> - 25<sup>th</sup> 2005, by Ir Giel Ton, specialist in Producer Organisations and Market Access. Before this mission communication with all relevant Agri-ProFocus partners has been made, through which contacts with possible supportive institutions in China have been made, and some existing training material has been facilitated. This mission report will be input to the newly elected Agri-ProFocus Board to determine if the support to the training program in Hunan Province will fall within Agri-ProFocus policy priorities or is considered to be a separate activity of one or several member organisations.

The mission took place in Yongding District and Fenghuang County, both part of Hunan Province. The mission leader was accompanied by staff from PMO-Hunan and officials from the respective County Agricultural Bureaus and from the Rural Cooperative Economic Administration Bureau. Due to language and interpreting constraints the methodology during the Participative Rural Appraisal was limited to semi-structured interviews on key aspect of cooperative functioning and strategy making. In all cooperatives different themes were tackled:

- history, organizational development and decision making process
- internal organization, economic operations and member investment
- chain analysis and service needs assessment

With Agricultural Bureau officials training needs were assessed and an appraisal of possible cooperative development facilitators was made. With PMO-Hunan this information was used to conclude on a global training program outline, that underpins the current mission report. This mission report is input for PMO-Hunan to develop the final training program, in the light of their financial and operational constraints.

The training needs assessment and proposed curriculum of the training program has been discussed with PMO-Hunan during the International Seminar on Cooperative Development, June 4-5 2005 in Zhangjiajie.

## 2. INSTITUTIONAL SETTING COOPERATIVE DEVELOPMENT IN CHINA

China's National People's Congress is engaged in drafting up the legislation for rural specialized economic cooperatives. In several provinces these new forms of cooperative organization already exist and are growing in numbers. It is estimated (Farmers' Daily Sept 29<sup>th</sup> 2003, Prakash 2002) that there exist about 140,000 Rural Specialized Economic Cooperative Organisations in China, 85% related with agriculture. About 32% of them organized around production, 58% around production and marketing and 10% around production, processing and marketing. Definitions of Rural Specialized Economic Cooperative Organisations are however ambiguous and embark a wide gamma of organisations that have other denominators outside China.

China has a lot of service institutions that bear the label of cooperative (e.g. Credit Cooperatives, Input Cooperatives) that are essentially government run with little direct control of farmers in its management and policies. Therefore the name Rural Specialized Cooperatives is useful to distinguish the new economic cooperatives with the traditional cooperatives.

According to Chen<sup>i</sup> (vice-chairman of the Chinese Peasants and Workers Democratic Party) these kind of cooperative organisations have the following basic features:

- Cooperation is based on the household contract system (individual land use) and respects the property right of farmer members
- It is based upon the cooperative principles: 'from the farmer, by the farmer and for the farmer'.
- It is an economic entity, managed independently and responsible for its own losses or profits

Daman Prakash<sup>ii</sup> (2002) presents three general forms of cooperative economic organisations that emerged during the 90's in China:

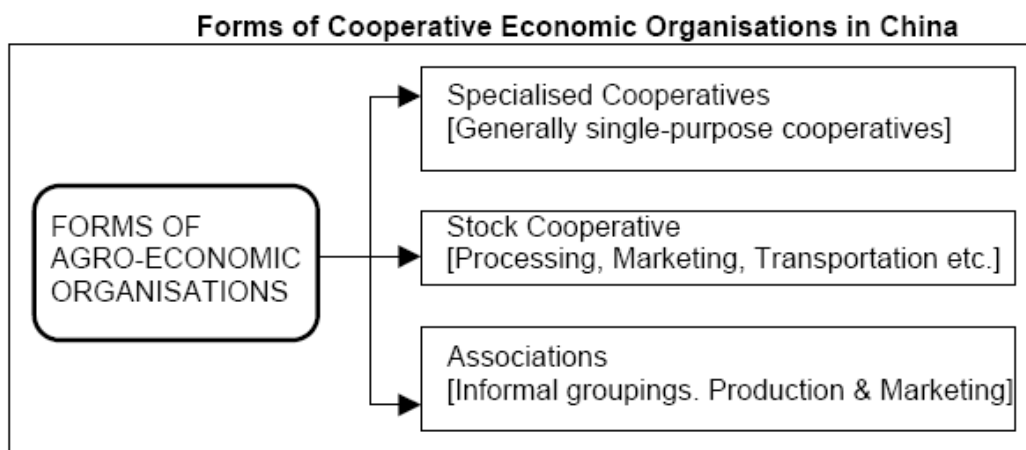


Figure 1: Daman Prakash 2002: 2

1. Specialised cooperatives – Farmers undertake specialized production and hold shares equally;
2. Stock cooperatives - These are mostly dealing with processing, marketing, transportation and warehousing of products;
3. Associations –It refers to the social economic cooperative organisations established on the basis of voluntary participation and mutual respect by farmers who are engaged in the production, marketing and processing of a particular farm product and who are linked to each other by product and/or technology.

This implies that when talking with government officials on ‘rural specialized cooperatives’, a whole array of possible organizational forms is referred to, characterized by the principles ‘from the farmer, by the farmer, and for the farmer’, but not uniquely defined as to its institutional and contractual arrangements.. We prefer therefore the more general term of ‘cooperative organisations’ or ‘producer organisations’, accept for the fact that the Chinese short-term use for it in daily conversation will be ‘cooperatives’.

In commercial transactions joint economic activities, other than private business, are not recognized as being transaction of a legal person. The concept ‘legal person’ in Chinese law is not very well defined, even for commercial enterprises (Hooijmaijers, 1995)<sup>iii</sup> The establishment of a legal person, that can engage in commercial contract relations without risking members’ private capital, is a necessity.

International consultations on a new Cooperative Law (actually under way through World Bank) will probably produce an innovative legal framework benefiting from the vast experiences in other countries, evading problems that have emerged around cooperative development in third countries by suboptimal legislation.

This absence of a general (national) cooperative law that regulates its internal functioning, results in varying legal constructions between the different Provinces and in differing development paths according to the Provincial legal and economic context. The development of a Chinese regulation of cooperative development should build on these experiences in the Provinces.

Additionally, the structure of the value chain determines to a large extent if and how a cooperative can engage in marketing activities or input supply, and what internal relations with members and third party suppliers have to be established to makes these chains work. Value chains differ according to variety, product and region. And so will differ and will have to differ the cooperative internal organization.

### **3. STRATEGIC ISSUES IN CHINESE COOPERATIVE DEVELOPMENT AND DUTCH LESSONS LEARNT**

#### Cooperative law: prescription versus enabling

Cooperative law between countries can differ a lot in content and on the level of detail in prescribing organizational set-up and internal financial arrangements. Detailed prescription facilitates the positioning of the cooperative as a different economic actor than private business, but may reduce internal flexibility to adapt internal procedures to effective cooperative business management and to attract financial resources for cooperative investment. The Dutch experience pleads for a 'open and enabling' legal framework, where different forms of cooperative initiatives can emerge. 'Classic' cooperatives can develop within the framework, but also other forms of cooperative enterprise can fall within it. (see annex 2)

“The cooperative movement in Europe and especially in The Netherlands was a grassroots process. The role of the government in this process was very limited or nonexistent. Cooperatives were especially stimulated by those groups who knew how governance structures for new, separated groups should be set up: the clergy and the nobility. Another stimulating factor was the culture among farmers to create long term wealth and capital in the family farm.

At the same time when cooperatives were developed, the farmers' organizations were established and very often these were facilitated by the same leaders. (..) In The Netherlands the coops and the farmers unions have separated their roles and responsibilities. The farmers unions take as their first responsibility the policies on production conditions e.g. water resource policy, soil, environmental issues, energy, labour market issues and government policy on investment incentives, taxation to the individual farmer, farm succession questions... The cooperatives in the first place focus on market issues. Not on the citizen and the civil society in the first place, but the consumer, international trade and market developments are put as number one. The cooperative cannot stand as a substitute for state duties or responsibilities.

It is in the interest of cooperatives, furthermore, that the legal conditions for cooperatives should not be too detailed. The best countries for cooperative development are those that leave ample freedom for making cooperative constitutions as fits best to business conditions and member interests. Cooperative laws preferably should only provide the framework, leaving the full responsibility to members. Ultimately, the cooperative is a private firm, like any other. But it has special shareholders who at the same time are the patrons and the transaction partners. Therefore, cooperative members take the function of ownership more serious than any other shareholder, in particular the owners of stock listed companies.”(Van Dijk, Griffioen, Van Der Maden, 2004:26-27)<sup>iv</sup>



## Cooperative marketing strategies and restructuring markets

Modern marketing strategies of cooperative organisations are increasingly divergent. Some specialize on low cost commodities to be marketed on international markets; others concentrate on niche production for local markets. Both strategies can result in improved incomes for the members, so both are to be considered rational and coherent models of development (Van Bekkum, 2001)<sup>v</sup>

'Positioning' existing cooperatives or associations as attractive potential business partner is important, but at the same time existing markets, produced in the globalizing economy (out-grower schemes, contract farming, 'Dragon head companies'), demand specific function of their organized suppliers, that not necessarily fit with the functions of the existing organizational structure of a cooperative. Contract arrangements may prescribe adaptations of the organizational setup and end-up in working with subgroups within the existing cooperative or association or to mix member supply with third party suppliers. Instead of considering this as an 'assault' on cooperative principles, these likely events may well be foreseen and incorporated in the cooperative organizational setup and by-laws. Instead of considering subgroup marketing as being disloyal to overall cooperative membership, it may also be considered as a positive outcome of cooperative marketing policy. The following graph gives an idea on the differing economic initiatives that can be developed by and/or within a growers association.

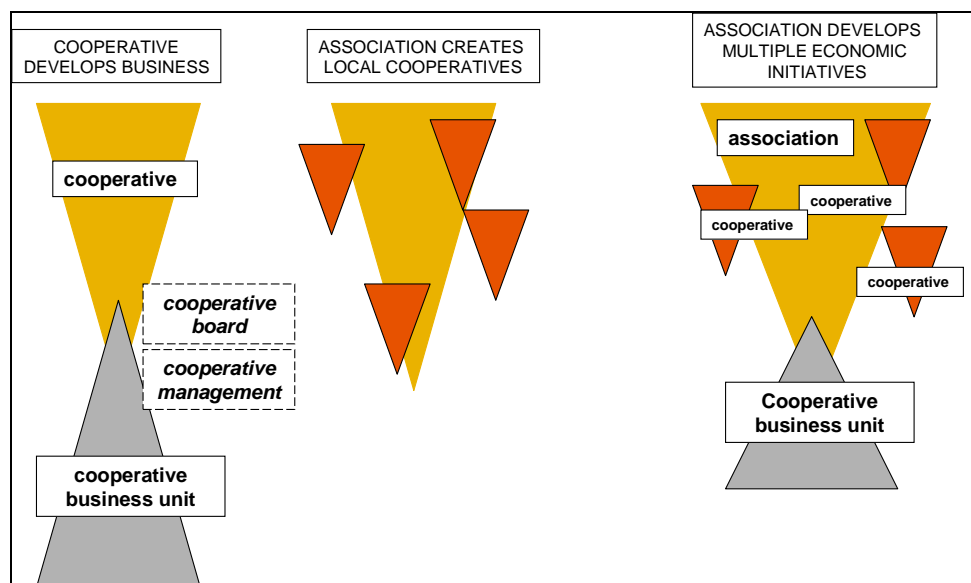


Figure 4: elaborated by Giel Ton

## Quality requirements and compliance mechanisms

The restructuring of retail markets, with increasing dominance of supermarkets as product outlets in urban markets, results in more strict quality requirements for fruit and

vegetables than was usual in the past. International markets are even more strict. Marketing cooperatives have to use food quality management systems that have important consequences for supplying members. Different quality levels can be distinguished, from minimal requirements, through intermediate levels (EurepGap) to maximum compliance (e.g. HACCP and BRC).

These requirements serve buyers interests and place demands on the internal organization of the cooperative. Increasing quality requirements result in increasing pressure on members that gradually may consider the cooperative as 'not serving their interest'.

For a cooperative it is therefore essential to develop several marketing chains/options at the same time, including not only for highest quality product but also for second quality product. To stimulate quality improvement and to maintain members' confidence in the cooperative organization a portfolio of marketing strategies and transparent differential pricing mechanisms must be designed in an initial phase.

Producer organisations have specific characteristics related with the quality compliance mechanisms that have to be developed. A private company has a sole responsibility to comply with quality requirements in production and processing. A cooperative however is solely responsible during processing, but has delegated production on household plots. Group certification mechanism and quality awareness are necessary to reduce certification costs and to enhance effective compliance by members.

#### Overhead costs and sustainability

Classic cooperative development is based on members' investment in organizational setup procedures and initial economic activities. However, in many countries cooperative development is stimulated by government or development organizations that facilitate meetings and subsidize initial costs (e.g. registration, capital funds, etc.). To prevent this supportive activities to create cooperatives that are unsustainable in the long term (after support will be withdrawn), from the beginning a process must be started to build sufficient economic capacity to pay its own recurrent costs.

Therefore, an economic business appraisal at the start of cooperative development is an essential phase. Based on estimated net income, organizational overhead costs and transaction costs the size and budget for supporting staff and the threshold of membership required and minimum economic turnover can be estimated (break even). Founding membership must have a clear picture on the financial risk they take when these projections do not materialize and the future benefits they can get according to different market scenarios (normal, positive, negative).

#### 4. CHARACTERIZATION OF RURAL SPECIALIZED ECONOMIC COOPERATIVES IN THE PROJECT AREA

##### Field visits

The project area comprises two geographical areas: Fenghuang County (Xian Xi Prefecture) and Yongding District (Gao Qiao County, Zhangjiajie Prefecture). Information from the Agricultural Bureau estimates the number of rural specialized cooperatives in Hunan on nearly 13,000, with only 29 of them located in the project area. However, most of them were founded in 2003 and 2004 and are still in the process of organizational development and defining the activities to be developed to offer service to the membership. Numbers are only indicative and tend to overestimate the presence of cooperatives in the region. Estimates for Fenghuang County are that 18 of the reported 25 are not functioning well. New cooperatives are likely to be established during the project period with support from the

project. Many of the newly founded cooperatives are expected to disappear or be reorganized during this initial phase of discovering their cooperative identity. Support of government

Hunan Province	12.848
- Xian Xi Prefecture	162
- Fenghuang County	25
- Zhangjiajie Prefecture	25
- Yongding District	4

staff and training of board members will therefore be focused on the processes to identify the appropriate activities as a cooperative organization and on the abilities of supporting staff to facilitate this process in the existing cooperative or in the villages or growers groups that will start a cooperative in the future.

During the mission, we met with board members of six different cooperative organisations, three of them represented in the ‘joint cooperative’ of oranges producers, all located in the Fenghuang County. Next to these cooperatives we visited two other cooperatives around the city of Zhangjiajie in Yongding District: one around orange production and marketing, and one around pig raising and meat marketing.

##### “Dawan High-Quality Fruit Industry Association of Guanzhuang Town”

Formed by 250 households with a total of around 300, has of oranges. The cooperative is initiated by a group of 7 persons in 2004 and constituted in December 2004 after three village meetings. They say to be part of the county based initiative supported by the county government. Board members (12) serve three years and do not receive payment. The cooperative is engaged in fruit selection and marketing. Contracts are with businessmen and payment to members is



immediately after the buyer pays to the cooperative. No commission is charged. Membership fee is 50 yuan. Their marketing strategy is focused on developing a 'brand name' for the local oranges, and creating an attractive platform for businessmen, with good quality and quantity. Actually, the businessmen determine the packaging material and brand, without reference to the geographical origin. They even used packaging printed with a 'made in Australia' - logo.

Quality improvement is related with integrated pest management as actual input use by members is too high, which affects quality negatively.

The cooperative is planning to expand to neighboring villages that have applied for membership. The General Assembly is a mix of individual members, and representatives of the new villages.

The cooperative seems to have a rather strong member commitment and dynamic leaders. However, the internal organization of the cooperative is still in an initial stage and growth of the cooperative will have to result in a different structure of the internal organization. It seems urgent to assist the cooperative in developing ideas for economic activities to be undertaken by the cooperative that can result in monetary income to invest in cooperative activities. These ideas will also provide the elements to eventually adapt the internal organization from direct individual membership to a federated model of representatives of local village groups. Many economic activities can only be carried out in a sustainable way with a larger membership and larger production turn over.

#### "Tieqiao Orange Association"

Village cooperative with 142 households as members (644 persons). Households have a diversified crop system based on small scale rice production, small animals and relatively specialized in fruit production (citrus, peach, grapefruit). The cooperative was formed in October 2004 and focuses its activities on technical improvements in production and marketing. They lack the contacts with potential buyers and use the township cooperative to find buyers for their produce. As the cooperative is in its initial phase no mechanism for internal income mobilizations exist and activities seem still largely depended on the initiatives of outside agents and the township cooperative.

Village level discussions sessions seem necessary to define the activities of the cooperative in the future.

#### "South Great Wall Green Fruit Industry Association of Liaojiaqiao Town"

This cooperative comprises of 20 villages with a heterogeneous membership of 500 members, mostly 'rich and influential' fruit growing families, 10 fruit processing families and 30 fruit selling families. Relations with local cooperatives are still weak and current activities are concentrated on quality improvement and brand name development assisted by workers of the Agricultural Bureau.

The cooperative has made some interesting economic 'deals' with middle men, however is not able to sell total production of its members. The marketing activities of the town cooperative are additional to those of the local cooperatives and of the members individually. They are 'commissioned' to market local cooperatives produce. Internal mechanisms regarding price negotiation and quality requirements are decided on case by case. No commission fee is charged, and current costs of the cooperative are assumed by

the (richer) board members as being part of their individual marketing costs. Current training and technical support is provided by the Township Government.

The cooperative tries to present itself as an attractive partner for businessmen, buying oranges in the province. They try to distinguish themselves as a trustworthy partner with high quality oranges, able to provide the businessmen with ample quantities in a time-efficient way. Instead of dealing with local middlemen, the business partner will approach the cooperative to assume part of the logistics for him, resulting in a better price.

As no significant internal income is mobilized in the marketing, and costs are assumed rather informally by the board members, priority in this cooperative seems to be the strengthening of the internal organization and to clarify the additional benefit that the township cooperative has for the village cooperatives and the county cooperative (see below) and vice versa.. As many members are also involved in pig raising and horticulture, internal policy discussion will have to be held to define if the focus on fruits is necessary or that diversification of services to other crops and agricultural activities of the membership can be developed.

#### “Joint Cooperative”

17 cooperatives have formed the “Joint Cooperative” on county level. Three of them are township level cooperatives and 13 of them, village level cooperatives. They started in September 2004. Membership fees varies (50 yuan for big cooperatives, 30 yuan for small cooperatives). They represent 5.000 fruit growers. Prime activity is marketing and operating selection machines. In 2004 they have been exporting to Canada and have organized a wholesale market (they borrowed the land for it) and participated in business fares. Ideas on raising income to cover recurrent costs are to introduce commission fees. However, scaling up of activities is therefore necessary.

They manage to sell approximately 30% of the produce of the total membership. Village and township cooperatives use the joint cooperative for marketing info and contacting business partners.

‘Trust’ is one of the most important conditions that the joint cooperative has to gain from its membership. Obviously, the prime question is how the price determination can be controlled by the membership and how delivery of quantity can be secured by the joint cooperative.

Priority seems to be the training of board members in understanding the logic of present day marketing, and in functionally separate general policy making by the board, and daily commercial performance by the technical staff.

To increase commercial activities (inter)national contacts with potential buyers and basic infrastructure to manage market information is present (PC, internet) but will have to be improved. Especially, the information flow between the joint cooperative and the member cooperatives needs to be improved. This seems to be the rationale behind the establishment of the township cooperatives. However, functions of the township cooperative versus the joint cooperative and versus the village cooperatives are not yet clear.

#### “Navel Orange Specialized Technology Association in Yong Ding District”

This cooperative is relatively old, formed in 1992. The cooperative was found by 30 households by the ex-director of the Fruit Research Institute. Actual membership totals 105, developing 105 orange I bases, improving 15 kinds of breeds in an area of 200 has. New varieties have been transferred to 112 villages and 23 counties. Last year they changed the board and changed the principles of the cooperative, to develop/become a cooperative ‘enterprise’ next to the production based on individual household production. They have three technical staff, all members.

Membership fees are relatively low (20 yuan) but through marketing the fruit production and new fruit varieties, they earn monetary income to meet their costs. Possibilities for collective marketing in distant wholesale markets are good, as the internal mechanisms have been clarified in the last 10 years. The cooperative company aims to supply production means to members and others and to provide storage facilities of produce. Organizational issues related with the ‘change in principles’ are tackled already. The shift from a primarily production oriented growers association to a more market oriented economic cooperative can be stimulated a lot by facilitating operating capital and management training.

#### “Pig Raising Association of Yong Ding District”

The association was founded in 2004 by 3 persons, having grown in membership to 216 members. The founding members are big producers with more than 1000 pigs a year. They have formed a high tech team with 5 college graduates, 2 accountants and 16 technicians. Market opportunities for pig meat are highly attractive. The founders want to operate a cooperative slaughterhouse and enter the wholesale market, now domain of party related and government related private middle men. Legal authorization for operating a slaughterhouse is necessary, while capital can be largely mobilized by the 4 wealthy members (e.g. 1 million yuan each). However, the founding members have no clear view on the way a cooperative slaughterhouse can be managed and render services to the members with less pigs. It seems urgent to define the role of the association and the role of the investors/members. Probably the slaughterhouse can also be developed by a joint private effort of the founders, with the association performing other services. However, finding a legal construction where members can all be shareholder of a new company is also a challenging option. Other economic development idea is the construction of a cooperative feed plant.

The dynamics of the cooperative are largely depended on the initiatives of wealthy pig producers. Meanwhile the ambition of the pig association is to grow rapidly to include most of pig raisers in the region. However no clear policies regarding services to be rendered and internal mechanisms to organize them are yet in place. When the legal permission for the operation of the slaughterhouse will be given, the future of the pig raising association can probably be redefined based on an assessment of the services demanded by the membership.

### Overall characteristics and training needs

The Rural Specialized Economic Cooperatives in both project areas are labeled by involved officials as 'cooperatives in an initial phase'. Farmers are organized around their interests as being growers of specific crops or involved in specific animal husbandry activities, and are developing services for their members. Services do not depend on collective investments by the membership, but through other networks: services through the Agricultural Bureau on training and extension in primary production techniques, and services through the facilitation of contacts with business partners. Many ideas on additional services to be delivered by the cooperative organization do exist, but have to materialize yet.

A striking feature of all cooperatives is the virtual absence of monetary income for paying organizational overhead costs. Labor input in the cooperative management is done by relatively well-to-do farmers supported by government staff. Membership fees are substantial for small peasant producers, but insufficient for guaranteeing economic sustainability of the cooperatives in the future. Other income generating activities to cover cooperative organizational costs are still absent or rather rudimentary, like the commission for input delivery, fees for output marketed through the cooperative, etc. According to informants operating costs are assumed by the richer farmers, who benefit most from the extra-price that they realize because of their organized marketing, or are directly assumed by the buyer-businessman.

Formalization of most cooperative has been achieved very recently, in 2003-2004, and generally by a limited group of farmers that is now increasing their membership rapidly and they are projecting to group a large percentage of growers in the area. As such, their basic characteristic is being a 'grower association' searching for services to be delivered to them and not necessarily by them. It can be expected that after an initial phase with 'low investment' services, new services will be identified that need higher investments and where government support is combined with direct investment of (groups of) members in these 'grower associations'. Therefore, economic cooperative development in the project has not to focus only on the development of economic activities of the associations that have been created, but also on the economic initiatives that will emerge or 'mushroom' inside the associations, and will produce a range of sub-groups engaged in specific economic activities. These subgroups can be based on the existing social organization, the village, but could also be functional groups with a membership from different villages around a specific economic initiative, and crystallize in cooperative business were members investments and members' commitment are more like the cooperative in the classical sense.<sup>vi</sup>

During the field visits we were unable to visit another kind of existing or potential cooperatives, with membership defined by production in a key enterprise. One of the main motivations to boost cooperative development is to facilitate the functioning of 'dragon head' companies in key areas within the prefecture. Training needs for these type of cooperative organizations will be slightly different, as the identification of viable

economic activities are not their prime function, as this is organized for them by the enterprise. Additional services have to be defined by the group of growers, where collective efforts will result in individual benefits. Technological improvements in production can be one of these functions, but also additional economic services can be a good option, e.g. by organizing the provision of quality inputs for the members, or negotiation contract provisions with the enterprise.

While the process of selection of members and key markets are resolved in this model of cooperative development, the issue of identification of collective activities is not. And this has to be decided on by the membership (that will bear the risks of the cooperative initiative) and not by external technical staff of the enterprise or in the government. Facilitating these discussions with the growers group requires capacities that are not very well developed yet within most supporting staff.



## 5. RELEVANCE AND NEED FOR A COOPERATIVE DEVELOPMENT TRAINING PROGRAM

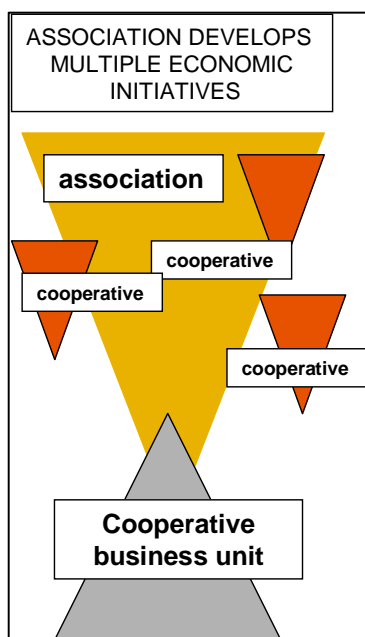
Cooperative development in China has entered a new phase and is searching new forms of mobilizing smallholder access to markets. WTO accession has led to a substantial increase of national and international competition for peasant farming in every Province. Next to the objective of generating more income for the participating farming community in the project area, the Sino-Dutch program in Hunan Province can be very valuable in generating experiences with different cooperative forms and development strategies that can benefit cooperative development nation wide. The political moment for a cooperative development project is excellent, and of the ‘Sino Dutch Demonstration Project’ can prove an effective way to have influence in this nation-wide effort to re-launch cooperatives as vehicle for economic development for smallholder agriculture.

Dutch cooperative history embarks almost 150 years. Lessons learnt on cooperative development can be used for China not to re-invent the wheel. The context for cooperatives in China are dramatically different from the context in the Netherlands 150 years ago, but actual conditions of competition in agricultural markets are increasingly the same. The challenge of the training program can be to bring in experiences from the Netherlands to protect China of pitfalls in their way of discovering the new ‘Chinese ways of cooperative development’. Different activities have to be realized to facilitate this ‘learning from experiences’, internationally (between the Netherlands and China), nationally (between Provinces), provincially (between counties) and locally (between farmer economic initiatives).

As a framework for cooperative development in the area, we suggest the following model of cooperative development. It is based on the existing ‘cooperatives in an initial stage’ (growers associations). The development of economic activities and services as a

cooperative enterprise will be supported twofold:

- developing economic initiatives for the cooperative organization as a whole (e.g. the citrus joint cooperative in Fenghuang) within the existing organizational structures (township level, village level)
- developing economic initiatives within the existing growers association, by subgroups of members that may be territorial groups (villages) of functional groups (around specific varieties, with investment of individual member from different areas, etc.)



The objectives of the project, creating viable cooperatives in Hunan Province and generate experiences to be used nation wide, depend largely on the ability of farmers and supporting government staff in the project area to engage in a fruitful relationship. Government support is necessary, but it must seek a balance with the basic principle that cooperatives must be an initiative ‘from the farmer, by the

farmer and for the farmer'. Abilities and experiences in staff and members on participative methods of discussion with farmers and facilitating decision making by farmers on economic projects is quite weak. Raising these capabilities is therefore crucial and will be a major component of the training program. As supporting staff is almost completely non-English speaking, the training for trainers' workshops will have to be facilitated by Chinese experts with backstopping from Agri-ProFocus or WUR-IAC<sup>vii</sup>. Trainers will be selected by PMO-Hunan, living in or near the project area and with a work plan where clear targets are specified related with their facilitation role for cooperative development. Educational background of these trainers will differ, but most of them will have vocational training in agricultural development, and several years of experience as field officers in the Agricultural Bureau. Another group will be the board members in the existing fruit cooperative / growers associations. Both groups will be trained in participative methods of cooperative development, analyses of economic initiatives and organizational development.

During this participatory process new topics will appear and become important, depending on the developing dynamics of the cooperatives in the area. In the training for trainers' workshops, general approaches that are expected to be useful will be suggested. These approaches will have to be adapted by the trainers for the specific situation of each cooperative and are discussed and evaluated in the following training for trainers' workshops.

A complementary instrument for cooperative development in the project area that will undoubtedly stimulate the consolidation of new initiatives may be considered to be incorporated in the project, is a 'Competing Fund for Small Economic Investments' that can provide additional funding for necessary investments in joint economic initiatives. This fund can provide a framework wherein supporting staff can start group workshops (e.g. at village level) to reflect on the principles of cooperative organizations and to analyze joint economic investment proposals that could eventually lead to the establishment of cooperatives in the village or region. This fund could be especially valuable, when progress has to be made in the short term, taking into consideration that the Sino-Dutch project first phase is only two years. Care has to be taken that these funds will not be used to finance overhead costs or recurrent salary costs<sup>viii</sup>.

## **6. OUTLINE OF THE SINO-DUTCH COOPERATIVE DEVELOPMENT TRAINING PROGRAM**

### Facilitating cooperative development

The facilitators/trainers that will work for the project will engage in a cooperative development process in the area. This will be a group of 10-15 persons that will have cooperative development in the project area as an explicit task, along with their other duties. Each trainer will facilitate 3-4 farmer groups or specialized cooperatives, most of them village groups part of the existing cooperative organisations / growers associations. In a participative process consisting of several meetings, some of these farmer groups will identify economic activities that they like to undertake as a group. With these groups the facilitators will work towards the formulation of a business plan around that specific economic activity/enterprise, and in the organizational setup of the activity as a cooperative.

With the cooperatives that have started (or will start) economic activities, the trainer-facilitator assist the board members in the self-assessment of their cooperative activities. Depending on the activities that are undertaken, specific training will be given on themes as quality control, chain analyses, organizational performance, etc. Methodological approaches towards these themes will be taught during the training for trainer workshops.

### Training the trainers

The training for trainers program proposed consists of several interlinked activities:

1. Sino Dutch International Seminar on Cooperative Development in Hunan Province

As a 'starter' for activities around cooperative development in the project and to facilitate the demonstration of Dutch know-how and experience, an International Seminar will be organized. A two-day seminar will be organized targeted at persons and institutions that are involved in the regulation of cooperatives and in developing strategies of cooperative development in Hunan Province. During this seminar relevant lessons learnt from the Dutch cooperative sector will be presented and the general methodology of the Sino-Dutch cooperative development component will be explained and discussed. The major economic and marketing challenges for cooperatives active in the fruit and vegetable sector will be identified. Government officials active in the field of cooperative development and cooperative regulation and possible trainers in the project will attend the seminar. (See annex for details)

2. Training for trainers workshop 1

Immediately after the seminar (June), benefiting from the presentations and discussions in the International Seminar, the first training of potential trainers on cooperative development will take place. In a 5 day program, the basic principles of cooperative development will be explained and the basic techniques for group facilitation will be trained. Output of the workshop will be the selection of a group of trainers in the project

(based on quality criteria to be defined by PMO-Hunan and the trainers in the workshop). Each trainer will have as 'home work assignment' to facilitate at least three village meetings or cooperative meetings applying the participative techniques learned. (See annex for details)

### 3. Training for trainers workshop 2

The second 5-day workshop is planned in autumn 2005, and builds on the experiences of the trainers during their home work assignments. Some participative techniques will be re-enforced. Additional training will be given in analyzing value chains and marketing strategies. It is expected that several cooperative activities will have been selected by the farmers for further development, e.g.:

- collectively buy, store and distribute farm inputs
- collectively invest in price and quality improving investments (e.g. storage facilities)
- collectively market farm produce and develop effective price-setting mechanisms
- collectively decide on the production of specific variety for 'niche' marketing (specialties, supermarkets, organic production, international markets)
- collectively organize training courses to improve production techniques

Three 'cases' are selected for further analyses during the workshop to illustrate the concepts of value chain analyses and marketing strategies. During the workshop the participants will have individual 'coaching' on the initiatives they are involved in.

### 4. Interprovincial mutual learning visit

Spring 2006 several cooperative initiatives will have matured, and the first experiences can be systemized. Based on SWOT-analyses of the situation in their cooperative, a mutual learning visit will be organized to other area with a more developed cooperative sector (e.g. in Zhejiang, Jiangsu Province). The Hunan farmers will explain their situation and receive an explanation of the history and present situation of the cooperatives visited. After the interprovincial mutual learning visit, the participants will have to write down their impressions and identify some challenges for the development of their own cooperative based on the impressions gained during the visit.

### 5. International mutual learning visit

A selection of Chinese experts working on cooperative development will visit the Netherlands to analyze in more detail the Dutch cooperative experiences. The visit will include a short training course on cooperative development and visits to selected cooperatives working in fruit and horticultural marketing.

One of the mayor themes to be tackled during this international visit, are the organizational mechanisms and procedures that have been developed to guarantee compliance of quality requirements in national and international markets.

### 6. Training for trainers workshop 3

The third training for trainers' workshop will continue with the concept of learning from experiences and have a strong 'individual coaching' aspect. The additional theme in this

workshop will be the importance of food quality management. The experiences gained during the International Visit will be presented, and in group sessions methods and mechanisms will be discussed that can guarantee the compliance of quality criteria in a cooperative organization. These mechanisms have to do with:

- registration of field practices
- registration of inputs used
- price differentials and product selection mechanisms

Special focus will be on existing certifications of food quality requirements. Based on a short description of the differences in certifications (e.g. EKO, EurepGap, HACCP), participants will have an idea on the relevance of these kinds of formal compliance systems for the marketing strategies of the cooperative organizations they support. They will make a plan to work towards better quality management within their cooperative organisations.

#### 7. Training for trainers workshop 4

This workshop is the evaluation of the overall training program. Emphasis will be on systematization of the results with cooperative development so far, an inventory of themes where additional training will be necessary and evaluating the methodological approach to cooperative development and the follow up after closing the Sino-Dutch project, or as an important input for its second phase.

Participants will be assisted in writing down their experiences, problems and recommendations. By means of SWOT-analyses the situation of cooperative development will be systematized. Eventually a video or publication will be compiled to document the experiences in cooperative development in the project to be used in other parts of the country where similar processes take place.



## ANNEX 1

### 1-a Title program component: Sino Dutch International Seminar on Cooperative Development in Hunan Province

#### Participants:

The audience (aprox. 75-90 pp) will be heterogeneous and educational levels and expertise will differ from persons with no secondary education or only some years of vocational training, to persons with academic level. Therefore 5-6 homogenous group workshops (15 pp/each) will be used to facilitate discussions by all participants:

- Government officials related with the Sino Dutch Fruit and Horticultural Development Project and government officials related with cooperative development in Hunan Province (professional education level)
- Dutch experts on cooperative development in the fruit and horticulture sector and Chinese experts on cooperative development and drafting of National Cooperative Law (university level)
- Participants in the Training for trainers workshop and cooperative board members (primary school level and vocational training level)

#### Aims and Objectives:

The overall aim of this seminar is to provide the participants with a clear perspective on how to stimulate the development of economic cooperative initiatives in China, and especially in the fruit sector of Hunan Province.

At the end of the seminar the participants should be able:

- Explain the process of and fundamental discussions on the drafting of a new Chinese Cooperative Law
- Explain the differences between the Dutch experience with an ‘enabling legal context’ versus other countries’ experience with a ‘prescriptive legal context’ for cooperative legal persons
- List the essential characteristics of different organizational forms and legal persons in international legal frameworks: association, cooperative, shareholding enterprise
- List the seven principles of the International Cooperative Alliance and understand the Dutch experiences that question a rigid interpretation of them
- Describe the growth and decline in number of cooperative auctions in the Netherlands
- Explain the rise of new producer organisations in response to the changing market conditions in fruit and vegetable marketing

#### Key subjects:

The major subjects to be covered during this seminar will include:

- Current cooperative development policies in China
- Dutch lessons learnt on cooperative legal regulation: flexibility in cooperative regulation in applying the ICA “classic cooperative principles”
- The historic process of development of the Dutch cooperative sector in fruit and horticulture: rise and concentration in cooperative auctions and input cooperatives
- Recent development in cooperative development and emergence of new producer groups

- Fundamental marketing issues that fruit and horticulture marketing cooperatives face at the moment in China and the Netherlands

#### Means of training and communication

- Expert lectures and presentations in English, with plenary translation to Chinese
- Expert lectures and presentation in Chinese, with person-wise simultaneous translation to English
- Video material on cooperative development
- Copies of literature on the Dutch agricultural development in Chinese language for entire audience
- Copies of literature on key subject in English language for specialized audience
- Handouts of presentations to all participants
- Group discussions and plenary presentation of results in Chinese
- Panel reactions on presentations and group discussions with plenary translation English-Chinese

#### Organizational issues:

- Two days workshop in Zhanjiajie city:  
June 4<sup>th</sup> 2005:
  - 09.00 Welcome by Lei Bing Qian, responsible Sino-Dutch Hunan Agricultural Demonstration and Training Project
  - 09.10 Welcome by Henk van Duijn, Agricultural Council of Royal Netherlands Embassy in Beijing
  - 09.20 Opening by Dr. Cees Veerman, Dutch Minister of Agriculture, Nature and Food Quality
  - 09.40 Introduction by Huang Yuenan, expert cooperative development in the Sino-Dutch Hunan Agricultural Demonstration and Training Project
  - 10.00 Presentation of Chinese process of stimulating cooperative development and drafting a Cooperative Law, by .....
  - 10.45 Break
  - 11.00 Approaches towards cooperative development, by Ir Giel Ton, International Agricultural Center – Agri-ProFocus
  - 11.45 Video on cooperative development in Europe
  - 12.15 Lunch
  - 14.30 Review of the historic process of cooperative development in fruit and horticulture marketing and experiences learnt, by Dr. Jos Bijman, assistant professor Department of Business Administration, Wageningen University
  - 15.15 Video on functioning of cooperative fruit and horticulture auctions in the Netherlands
  - 15.45 Break
  - 16.00 Group workshops: Reflections on the adaptability of Dutch cooperative marketing experiences for cooperative development in China, facilitated by PMO-Hunan and CIAD
    - Analyze the pro's and con's of the 'lessons learnt' presented in presentation



- Identifies two of them that seem most promising to be adopted in Chinese cooperative development (eventually using some form of ranking)
- On a 5-year timeline some intermediate goals necessary to realize them or advance to them, are indicated
- Major prerequisites for the realizing of each goal are identified
- 17.30 End of day

June 5<sup>th</sup> 2005:

- 09.00 Presentation of results group workshops
- 09.30 Reflections on workgroup results by panel with all Dutch and Chinese experts
- 10.00 Chinese experience on fruit marketing in national and international markets, by ....
- 10.45 Break
- 11.00 Dutch experience in fruit production and marketing in national and international markets, by Dr Jos Bijman, assistant professor Department of Business Administration, Wageningen University
- 11.30 Group workshops: Challenges for cooperative development in fruit production and marketing, facilitated by PMO-Hunan and CIAD
  - All participants in the workgroup write on cards the challenges they see for cooperative marketing
  - CIAD/PMO discuss the meaning of every card and organize them on the plan-board
  - Comparable cards are clustered
  - A general description of each cluster/challenge is formulated in a participative way
  - Challenges are ranked in importance
- 12.30 Lunch
- 14.30 Presentation of results group workshops
- 15.00 Reflections on workgroup results by panel with all Dutch and Chinese experts
- 15.30 Concluding remarks by Luo Mai Qin, from PMO-Hunan
- 16.00 Closure by Chinese Authority, and Ir Gabrielle Nuytens of the Royal Dutch Embassy
- 16.30 End of seminar

Facilitation of seminar and expert panels: Wang Yihuan – CIAD

Facilitation of group workshops (4-5 groups): PMO-Hunan and CIAD

- Resources:
  - Professional interpreters Chinese-English for each Dutch expert
  - Conference Hall for 2 days near Zhanjiajie Airport (to reduce travel time for in-flying experts)
  - 4-5 adjacent areas/rooms for group workshops
  - VHS
  - Beamer
  - Laptop/Computer
  - Flip-over
  - Colored cards
  - Butcher paper

- Markers, etc.
- 80(?) Hard copies of the existing Chinese translation of “Growing Strong, the development of the Dutch agricultural sector; background and prospects”, LEI, 2000; especially chapter 12, 13, 14; <http://www.lei.dlo.nl/leichina/files/341abd2e98ce5b618b29991313fd7913.pdf>
- Hand outs of presentations
- 10 Copies of selected articles and material submitted by the conveners for English reading audience

1-b Title program component: Training for trainers Workshop 1

Participants:

The audience (aprox. 60 pp) will consist of the potential trainers on cooperative development in the project and related government personnel.

- Government officials related with the Sino Dutch Fruit and Horticultural Development Project and government officials related with cooperative development in Hunan Province (professional education level) - 20
- Extension field workers and cooperative board members (primary school level and vocational training level) - 40

Aims and Objectives:

The aim of the workshop will be to give the participants sufficient background in group facilitation and cooperative principles, so they can assist farmers in analyzing the potential for cooperative economic activities in their village or growers association.

A less explicit aim of this workshop will be the selection of a group of trainers in the project equipped with basic facilitation skills and a clear view on the process of cooperative development.

At the end of workshop 1 the participants should be able:

- To facilitate village meetings and cooperative meetings in a participative manner
- To apply participative tools for organizational analyses
- To explain the basic principles of cooperative association to farmers
- To explain the steps necessary before starting a cooperative

Key subjects:

The major subjects to be covered during this seminar will include:

- Basic facilitation skills for group meetings
- Basic participative tools for situational analysis:
  - Strengths-Weaknesses-Opportunities and Threats (SWOT)
  - Appreciative Inquiry Approach
  - Semi-structured interviews
- Core methodological steps in the development of cooperative economic activities in the project area

### Means of training and communication

All presentations and handouts will be in Chinese language

- Presentations by PMO-Hunan (and CIAD) reinforcing the issues presented in the International Seminar
- Presentations by CIAD on participative processes and group facilitation
- Practical sessions in which trainees apply different participative tools used for group analysis
- Handouts with a description of the participative tools
- Handouts on the principles and processes for cooperative development

### Organizational issues:

- The workshop will take place in Zhanjiajie city, after the International Seminar. It will be a 5 day workshop, with the following program content (to be elaborated further by CIAD and PMO)
  - Day 1:
    - Morning
    - Introduction of the training program, by PMO
    - Explanation of the basic principles of cooperative development in China “from the farmers, for the farmers, by the farmers”, by PMO
    - Explanatory summary on the issues raised during the International Seminar, by PMO and CIAD
    - Presentation of each participant
      - Pairwise interview (10 minutes each) to identify their experiences with farmer meetings: if possible, on their role as facilitators of those meetings
      - Plenary session where each one introduces his fellow (maximum 1 minutes each):
        - name
        - professional background
        - experience with farmer meetings
        - expectations for the workshop
      - All participants will make a badge with their name on
    - Afternoon
    - 
    - Group work to identify skills and characteristics of a good and a bad facilitator
      - brainstorm using colored cards
      - organizing and discussing each cards
      - present the information in a creative manner (drawing a picture of them, theatre improvisation, writing a song, etc.)
    - Plenary presentations
    - Presentation/lecture: essential characteristics of ‘good’ group facilitators, by CIAD
  - Day 2:
    - Explanation of the methodology for cooperative development in the Sino-Dutch project, by PMO
    - Introduction in Appreciative Inquiry Approach, by CIAD

- Functional/homogenous groups: apply the AIA to an specific issue relevant for each group:
  - group with government officials: “Organizing our support for cooperative development in the project area”
  - group with farmers: “Developing economic activities in our specialized cooperative”

All groups will have to go through the ‘cycle’ of AIA:

  - discovery
  - dream
  - design
  - delivery
- Plenary session focusing primarily on the methodological aspects of the exercise
- Day 3:
  - Morning
    - Explanation of methods and skills necessary for semi-structured interviews
    - Groups of 2-3 persons: Preparation of check-list with core thematic questions, detailing the following attention points:
      - History
        - History of farming in the area
        - Organizational development of the cooperative
        - Decision making process in cooperative development
      - Internal organizations
        - Responsibilities in the cooperative
        - Member participation and investment
        - Mechanisms to cover the operational costs of the cooperative
      - External market conditions
        - Rough overview of actors involved in: input provision - production – intermediate marketing – processing – distribution - consumer marketing
        - Potential for the cooperative to reduce role of external actors or to improve price setting for their inputs of produce
    - Review and discussion of check-lists by CIAD
    - Afternoon
      - Practice in semi-structured interviews with cooperative members in a Rural Specialized Economic Cooperatives near Zhanjiajie:
        - All small groups hold an one-hour interview with a peasant household using the check-list for the semi-structured interview in a flexible manner
      - Reporting
        - Brief description of the organizational history in the village/cooperative
        - Sketch of an organigram of the cooperative
        - Sketch of the ‘value chain’ (based on an example - handout)
  - Day 4:
    - Morning
      - Evaluation of the field interviews in group sessions (for each cooperative)
        - Content: comparing report information
        - Methodology: ‘flexibility versus structure’ in using semi-structured interviews
    - Afternoon
      - Group sessions (for each cooperative): using the knowledge gained through the interviews on the cooperative in a SWOT practice on “potential for economic

development in the cooperative”, with special emphasis on facilitation skills and methodological issues

- Reflections on participative information gathering, by CIAD
- Day 5:

Morning

- As an individual assignment, trainees develop a tentative action plan for a series of three village meeting to identify the “possibilities for developing cooperative economic activities in the village”

meeting	time	subject	participants	methodology	preparatory work needed	expected outcome
1						
2						
3						

Afternoon

- Evaluation of the training for trainers workshop 1
- After the workshop, based on their participation in the workshop, and the quality/relevance of their individual assignment, CIAD and PMO pre-select/classify trainees for the project

○ Resources:

- Colored cards
- Plan boards
- Transport to cooperatives around Zhangjiajie
- Markers
- Butcher paper
- Skilled sub-group facilitators (sub-groups of max. 15 persons)
- Training material handouts in Chinese, elaborated by CIAD; equivalent to (but not limited to):
  - Dearden, Jones & Sartorius, “Annex 2.1 Facilitation Skills”, in: Tools for Development - A handbook for those engaged in development activity, DFID, 2002;  
[http://www.iac.wur.nl/iaclo/htmlarea/docs/ppme/toolsfordevelopment1\\_DFID.pdf](http://www.iac.wur.nl/iaclo/htmlarea/docs/ppme/toolsfordevelopment1_DFID.pdf)
  - Pretty, Guijt, Thompson & Scoones, “You, the Trainer and Facilitator”, Participatory Learning & Action – A Trainer’s Guide, IIED, 1995, p.13-37
  - “A brief guide to training in participatory methods in the workshop”, in PLA Notes (1998), Issue 33, pp.82–85, IIED, London;  
[http://www.iied.org/sarl/pla\\_notes/pla\\_backissues/documents/plan\\_03315.PDF](http://www.iied.org/sarl/pla_notes/pla_backissues/documents/plan_03315.PDF)
  - “Method 9 Semi-Structured interviews”, in Managing for Impact in Rural Development, IFAD, 2004;  
[http://www.ifad.org/evaluation/guide/annexd/d.htm#m\\_9](http://www.ifad.org/evaluation/guide/annexd/d.htm#m_9)

- “The Appreciative Inquiry Approach”, in Enhancing Ownership and Sustainability: a resource book on participation, IFAD, 2002, pp.86-101;  
<http://www.iac.wur.nl/iaclo/htmlarea/docs/ppme/Part2.pdf>
- “Method 14 Strengths, Weaknesses, Opportunities and Strengths (SWOT)”, in Managing for Impact in Rural Development, IFAD, 2004;  
[http://www.ifad.org/evaluation/guide/annexd/d.htm#m\\_14](http://www.ifad.org/evaluation/guide/annexd/d.htm#m_14)
- Reitse Koopmans, “Eight steps for cooperative development”, in Farmer-controlled economic initiatives – starting a cooperative, Agrodok 38, Agromisa – AgriCord – Agriterra, 2004
- ‘Toolbox’, and Resource Portal on participative methods for group facilitation and M&E (planned to be translated in Chinese through IAC-CIAD during Asia Link 2005):  
<http://www.iac.wur.nl/ppme/index.php>

1-c Title program component: Training for trainers Workshop 2

Participants:

The audience (aprox. 30 pp) will consist of the selected trainers on cooperative development in the project and related government personnel.

- Government officials related with the Sino Dutch Fruit and Horticultural Development Project and government officials related with cooperative development in Hunan Province (professional education level) - 10
- Extension field workers and cooperative board members (primary school level and vocational training level) - 20

Aims and Objectives:

The aim of the workshop will be to give the participants sufficient background in chain analysis, so they can assist farmers in analyzing the potential for cooperative economic activities in their village or growers association.

At the end of workshop 2 the participants should be able:

- To describe the economic environment of economic sectors they are involved in en that have been prioritized in the village meetings as potential areas for cooperative economic activities using basic concepts from chain analysis.
- To make a table with retail prices for the specific product from primary production, through traders and processors to final consumers
- To facilitate the discussions on marketing strategies for cooperative groups engaged in marketing produce

Key subjects:

- Mapping Value Chains
- Critical Success Factors

Suggested training material: Kaplinsky & Morris, "A Handbook for Value Chain Research", IDRC, 2003, Chapter 9 & 10

Agri-ProFocus expertise:

- WUR (IAC, LEI)
- KIT
- SNV



1-d Title program component: Interprovincial Mutual Learning Visit

Participants:

The participants (aprox. 30 pp) will consist of the leaders of the most advances cooperative organisations and supporting trainers (primary school level and vocational training level) - 20

Aims and Objectives:

The aim of the mutual learning visit will be to give the present the experiences gained by the cooperatives in Hunan, and learn from experiences of cooperatives in other provinces

During the visit the participants should be able:

- To explain the history, strengths and weaknesses in their cooperative
- To speak about their experiences in the cooperative in public
- To explain decision making on the internal organisations in their cooperatives to other cooperative leaders

After the visit the participants should be able:

- To write down the lessons learnt from cooperative experiences in other provinces
- To inform their village or cooperative group about the visit and the lessons learnt

Key subjects:

- Strengths and weaknesses of cooperative development in each cooperative
- Internal organization of the cooperative

Suggested training material:

- “Method 14 Strengths, Weaknesses, Opportunities and Strengths (SWOT)”, in Managing for Impact in Rural Development, IFAD, 2004; in: [http://www.ifad.org/evaluation/guide/annexd/d.htm#m\\_14](http://www.ifad.org/evaluation/guide/annexd/d.htm#m_14)

Agri-ProFocus expertise on farmer to farmer visits:

- Agriterra
- Larenstein Van Hall (WUR)
- WUR (IAC, CIS, SSG)

1-e Title program component: International Mutual Learning Visit

Participants:

The participants (aprox. 10 pp) will consist of the leaders of the most advances cooperative organisations and project staff (professional education level).

Aims and Objectives:

The aim of the international learning visit will be to give the present the experiences gained by the cooperatives in Hunan, and learn from experiences of cooperatives in other provinces

After the visit the participants should be able:

- To explain the process of cooperative development in the Netherlands
- To list the different quality requirement systems used in fruit marketing with their major characteristics
- To describe the compliance mechanisms used by marketing cooperatives

Key subjects:

- Cooperative development in the Netherlands
- Quality requirements in international fruit marketing
- Compliance mechanisms in marketing cooperatives

Suggested training material:

- Chinese translation of “Growing Strong, the development of the Dutch agricultural sector; background and prospects”, LEI, 2000; especially chapter 12, 13, 14;  
<http://www.lei.dlo.nl/leichina/files/341abd2e98ce5b618b29991313fd7913.pdf>
- “Food safety systems ins the international fruit trade”, Irma Schönherr (MSc.) Q-point BV (rights reserved), in ADEPT-course, financed by CROSS, organized by IAC
- “Quality assurance; principles and systems”, Ine van der Fels-Klerx, RIKILT Foodsafety and supply chain management, in ADEPT-course, financed by CROSS, organized by IAC

Agri-ProFocus expertise on Dutch cooperative history:

- Nice-NCR (Agriterra)
- WUR (SSG)

Agri-ProFocus expertise on quality systems:

- Agro Eco
- AgroFair
- WUR (IAC, RIKILT, PPO, A&F, LEI)
- KIT

1-f Title program component: Training for trainers Workshop 3

Participants:

The audience (aprox. 30 pp) will consist of the selected trainers on cooperative development in the project and related government personnel.

- Government officials related with the Sino Dutch Fruit and Horticultural Development Project and government officials related with cooperative development in Hunan Province (professional education level) - 10
- Extension field workers and cooperative board members (primary school level and vocational training level) - 20

Aims and Objectives:

The aim of the workshop will be to give follow-up to emerging economic cooperative initiatives and .

At the end of workshop 3 the participants should be able:

- To describe the quality control mechanisms in the cooperative
- To draw a matrix summarizing existing and future market segments and quality requirements in those market segments
- To facilitate the making of an action-plan to work on quality improvement in the cooperative

Key subjects:

- Production flows and quality control
- Quality requirements in local and national markets
- Quality requirements in international fruit marketing
- Compliance mechanisms in marketing cooperatives

Suggested training material:

- “Food safety systems ins the international fruit trade”, Irma Schönherr (MSc.) Q-point BV (rights reserved), in ADEPT-course, financed by CROSS, organized by IAC
- “Quality assurance; principles and systems”, Ine van der Fels-Klerx, RIKILT Foodsafety and supply chain management, in ADEPT-course, financed by CROSS, organized by IAC

Agri-ProFocus expertise on quality systems:

- Agro Eco
- AgroFair
- WUR (IAC, RIKILT, PPO, A&F, LEI)
- KIT

1-g Title program component: Training for trainers Workshop 4

Participants:

The audience (aprox. 30 pp) will consist of the selected trainers on cooperative development in the project and related government personnel.

- Government officials related with the Sino Dutch Fruit and Horticultural Development Project and government officials related with cooperative development in Hunan Province (professional education level) - 10
- Extension field workers and cooperative board members (primary school level and vocational training level) - 20

Aims and Objectives:

The aim of the workshop will be to do a participative evaluation the training program and the cooperative development approach to prepare for follow-up or a second phase of the project.

At the end of workshop 4 the participants should be able:

- To explain the strengths and weaknesses of the training program
- To list themes where additional training will be required
- To describe the follow-up activities of the project
- To explain to others the approach toward cooperative development and its (intermediate) results

Key subjects:

- Participative evaluation
- Most Significant Change
- Appreciative Inquiry Approach

Suggested training material:

- “The Appreciative Inquiry Approach”, in Enhancing Ownership and Sustainability: a resource book on participation, IFAD, 2002, pp.86-101;  
<http://www.iac.wur.nl/iaiclo/htmlarea/docs/ppme/Part2.pdf>
- “Method 14 Strengths, Weaknesses, Opportunities and Strengths (SWOT)”, in Managing for Impact in Rural Development, IFAD, 2004;  
[http://www.ifad.org/evaluation/guide/annexd/d.htm#m\\_14](http://www.ifad.org/evaluation/guide/annexd/d.htm#m_14)
- “Method 24 Most Significant Change”, in Managing for Impact in Rural Development, IFAD, 2004; [http://www.ifad.org/evaluation/guide/annexd/d.htm#m\\_24](http://www.ifad.org/evaluation/guide/annexd/d.htm#m_24)

Agri-ProFocus expertise on participative evaluation:

- WUR (IAC, CIS)
- KIT

**ANNEX 2: Classic cooperative principles and Dutch experiences**

<p align="center"><b>PRINCIPLES OF THE INTERNATIONAL COOPERATIVE ALLIANCE</b></p>	<p align="center"><b>SOME DUTCH EXPERIENCES</b></p>
<p align="center"><b>1st Principle: Voluntary and Open Membership</b></p>	
<p>Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.</p>	<p>Due to marketing strategies with special varieties and brands, some producer organisations are ‘closed’, to limit supply and maintain price differentials</p>
<p align="center"><b>2nd Principle: Democratic Member Control</b></p>	
<p>Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.</p>	<p>To manage differences between small and large suppliers and prevent the latter to leave, some cooperatives have some flexibility in the one-man-one-vote system, relating votes to quantity of supplies but limiting individual votes in the cooperative to a certain percentage of total votes (e.g. 5%)</p>
<p align="center"><b>3rd Principle: Member Economic Participation</b></p>	
<p>Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.</p>	<p>Instead of a formal obligation to divert part of the surplus to targeted activities, this decision may better be left to the members themselves. Decision making on ‘what to do with the surplus’ raises commitments and ownership of members with ‘their’ cooperative.</p>

<p align="center"><b>4th Principle: Autonomy and Independence</b></p>	
<p>Co-operatives are autonomous, self-help organisations controlled by their members. If they enter to agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.</p>	<p>Very important</p>
<p align="center"><b>5th Principle: Education, Training and Information</b></p>	
<p>Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.</p>	<p>Very important, and can be facilitated by additional resources from supporting third parties or government budget</p>
<p align="center"><b>6th Principle: Co-operation among Co-operatives</b></p>	
<p>Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.</p>	<p>Instead of being a top-down obligation that may induce to create cooperative bureaucracies, the emergence of regional and national structures must be a bottom-up process.</p>
<p align="center"><b>7th Principle: Concern for Community</b></p>	
<p>Co-operatives work for the sustainable development of their communities through policies approved by their members.</p>	<p>This is the suited for village based multi-purpose cooperatives, but is less useful in single-purpose cooperatives, especially when members come from different villages and are joined by a specific economic business initiative.</p>

Table 1: Principles of the International Cooperative Alliance <http://www.coop.org/> , adapted by Giel Ton

## ANNEX 3

### Report on the Sino Dutch International Seminar on Cooperative Development in Hunan Province

On June 4, the Dutch Minister of Agriculture Cees Veerman opened the International Seminar on Cooperative Development in Zhanjiajie (China). This seminar is the start of a two-year training program on cooperative development in Hunan Province, a component of the Fourth Sino Dutch Demonstration Project on Fruit and Horticulture. During the seminar, the Dutch experience in cooperative development was shared with the Chinese participants.

China has a turbulent history of cooperative development and collective farming, a model that crashed on political and economic realities in the late seventies. From the 90's on 'new' cooperative initiatives are emerging in rural China. These new cooperative organizations comprise growers associations, producers in contract farming arrangements (linked to 'dragon head companies') and a wide array of self help groups.

The Seminar intended to bring in lessons learnt from the Dutch cooperative history that could be useful in enabling the economic development of these cooperative groups. Cooperative specialist Jos Bijman, from the Wageningen University Department of Management Studies, made a detailed analysis of the emergence, growth and restructuring of the flower auctions in the Netherlands. Giel Ton from IAC presented lessons learnt on approaches on supporting cooperative development in other countries that shaped the methodological set-up of the training program. Chinese expert Huang Yuenan presented an overview of recent Chinese cooperative development and the political process of drafting a new Chinese Cooperative Law. Group workshops analyzed the possibilities to incorporate the Dutch experience in Chinese reality.

The two-year training program consists in a series of "training for trainers' workshops" where facilitation skills are enhanced and basic tools for economic and organizational assessments will be instructed by Chinese experts. The seminar and training program have been elaborated by IAC on behalf of the Royal Dutch Embassy in Beijing, within the framework of Agri-ProFocus, the Dutch public private partnership for agricultural producer organisations in developing countries.

The opening ceremony was attended by several hot shots of the Dutch cooperative movement and agro-sector that accompanied the Minister on his official visit to China, like Douke Faber, chairman of the Association of Flower Auctions in the Netherland and Aalt Dijkhuizen, chairman of the Wageningen University and Research Centre.

*Opening Ceremony with Minister Veerman*



*Subgroup session*



## NOTES

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<sup>i</sup> <http://www.china.org.cn/english/e-npc/13315.htm>

<sup>ii</sup> Prakash, Daman, 'Forms of Farmers' Economic Organisations in China: experimenting with agricultural cooperative associations', Rural Development and Management Centre, New Delhi, July 2002

<sup>iii</sup> 'The evolving legal framework for foreign investment in China – procedures, requirements, and problems' in: Hooijmaijers, Van Den Bergh & Segers, 'Dancing with the Dragon: backgrounds, strategies and practices for business success in China', Tilburg University, 1995, pp.107-140

<sup>iv</sup> Van Dijk, Griffioen, Van der Maden, "Which farmer-owned business for farmers in Uruguay?, Lessons learned by cooperative firms in The Netherlands", National Council for Agriculture and Horticulture (NCR), Breukelen, December 2004

<sup>v</sup> Bekkum, Onno-Frank van, 'Cooperative Models and Farm Policy Reform: exploring patterns in structure-strategy matches of dairy cooperatives in regulated vs. liberalized market', Nyenrode University, 2001

<sup>vi</sup> Koopmans, R., Farmer-controlled economic initiatives: starting a cooperative', AgriCord – Agriterra, Agrodok No. 38, Agromisa, Wageningen, 2004

<sup>vii</sup> We will suggest that CIAD-Beijing should be contracted for this and include details on their track-record and expertise in annex.

<sup>viii</sup> A rough sketch for such a Competing Fund could be:

- requisites according to decision making process (note on meetings, member approval of economic projections)
- maximum 50% co-financing
- clear agreement on cooperative ownership of investments
- maximum 5.000 € per investment proposal
- increasing this maximum amount, depending on track record of the cooperative

Further elaboration of this proposal lies outside the current Terms of Reference, but is definitely needed.