



**Supporting policy, legal and institutional frameworks  
for the reform of forest tenure in China's collective  
forests and promoting knowledge exchange**

**GCP/CPR/038/EC Working Paper: WP – 008 - E**

# **Assessment of Forest Farmer Cooperatives in Fujian Province**



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**Comments and feedback are welcome.**

# **Assessment of Forest Farmer Cooperatives in Fujian Province**

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## 1. Background

Accounting for 58 percent of the total forestland area, the collective forests in China have great potential to significantly contribute to rural livelihoods. Tenure of China's collective forests has undergone many changes in the past three decades. While they were originally managed by village-level administrations, in the early 1980s a partial transfer of use rights to farmers was initiated. However, the lack of clear and secure rights and tangible benefits from the forests combined with a lack of access to decision making resulted in the low motivation for forest management of the local population and continued forest degradation. The forest farmer cooperatives are regarded as one solution to the above issues. To accelerate the development of the cooperatives, the State Forestry Administration (SFA) of China issued the *Guidelines on Promoting the Development of Specialized Forest Farmer Cooperatives* in 2009.

Being one of the provinces taking the lead in implementing the collective forest tenure reform in China, Fujian has established a number of forest farmer cooperatives of various types and different characteristics and has accumulated a lot of experience and lessons worthy of summing up, extending and learning. The project "Supporting Policy, Legal and Institutional Frameworks for the Reform of Forest Tenure in China's Collective Forests and Promoting Knowledge Exchange" funded by the European Commission and co-implemented by FAO and SFA selected Shaowu City and Youxi County of Fujian Province for its case study. The case study aimed at evaluating the experience and lessons of the existing forest farmer cooperatives, analyzing the incentive factors and obstacles during the forest management by the cooperatives and proposing the policy suggestions for the healthy development of such cooperatives.

The Research Institute of Forestry Policy and Information, Chinese Academy of Forestry was entrusted with the survey and study on the forest farmer cooperatives of Fujian. The survey group implemented the case study on the following 7 cooperatives in November of 2009: Lu Yuan Forest Cooperative, Yimin Oldhami Bamboo Cooperative and Yikang Shan Tea-oil Tree Cooperative of Shanlian Village, Youxi

County, Shareholder Forest Farm of Mayang Village, Youxi, Bamboo Association of Erdu Village, Shaowu City, and Trustee Cooperative Forestation Group and Family Cooperative Forest Farm of Jiashang Village, Shaowu. Based on the case study, 4 village-level and 2 county-level workshops were held in March of 2010.

## **2. Basic Information of Project Areas**

### **2.1 Basic Information of Fujian Province and the Counties**

Fujian, situated in the southeast of China on the coast of the East China Sea and having a subtropical oceanic monsoon climate, covers a land area of 124,000 km<sup>2</sup>, of which 80% are mountains and hilly areas. It had a population of 36.07 million in 2009 and administered 9 prefecture-level cities and 85 cities (including 45 counties, 14 cities and 26 districts). Fujian has 137 million Mu lands for forest uses, accounting for 75.29% of its total land area and including 115 million Mu forest lands. Its forest coverage is 63.1%, maintaining the first in China, and the standing forest stock is 497 million m<sup>3</sup>, ranking the seventh in China. The stock volume of Fujian planted forests is 183 million m<sup>3</sup>, accounting for 12% of China's total and ranking the first in China. Among its forest resources, there are 42.94 million Mu ecological forests for public welfare, accounting for 30.7% of the province's total land area, 13.27 million Mu bamboo forests, ranking the first in China, 10 million Mu fast-growing and high-yield forests and 16.88 million Mu non-wood forests. Meanwhile, having 10% state-owned forests and 90% collective forests, Fujian is one of the key collective forest areas in South China. With 15% of its forest tree ownership being state-owned, Fujian has 107 state-owned forest farms and 94 state-owned forest cutting and planting farms. The total production value of Fujian forestry in 2008 was 132.38 billion Yuan, which was in the front rank of China. 12,364 villages in Fujian have clearly established the property rights, which make up 90.8% of the villages required to implement the forest tenure reform. The property rights of 75.49 million Mu have been clearly established. 75.11 million Mu collective commercial forests have been registered, which are 95% of those should fulfil the registration. 71.51 million Mu have been issued the forest tenure certificates, 90.8% of those should be issued the certificates. Currently, 25,013



forest farmer cooperatives have been founded in Fujian, managing an area of 11.18 million Mu and involving a population of half million, covering 21,579 family cooperative forest farms managing an area of 5.54 million Mu and 3,308 shareholder forest farms managing 3.87 million Mu. Besides, more than 1,000 specialized forestry associations have been established in Fujian and they have significantly improved the forest management in terms of its scale, specialization and intensity.

Located in central Fujian and covering an area of 3,463 km<sup>2</sup>, Youxi County administers 8 towns and 7 townships, 250 administrative villages and 11 neighbourhood committees and a total population of 422,900. It is the largest county in Sanming City in terms of both area and population, one of the key southern counties for forestry development, one of the bases for the country's marketable grain and one of the ten most developed counties in growing edible fungus across China. Its total land area for forest uses is 4.18 million Mu and the forested land area is 3.81 million Mu, including 2.74 commercial forests and 1.07 million Mu ecological forests for public welfare which respectively account for 72% and 28%. Forestry plays a significant role in the sustainable economic and social development. The total production value from forestry of the county in 2007 was 2 billion Yuan and forestry has been the backbone industry for Youxi's economic development. Having the largest area of tea-oil tree plantations in Fujian, Youxi enjoys the reputation as "the home for tea-oil trees in China" and serves as the national demonstration base for tea-oil tree planting. Youxi takes the lead in implementing the forest tenure reform in Fujian. By December of 2009, Youxi had finished the collective forest tenure reform in 248 counties, 99.9% of the 249 counties expected to implement the reform, and registered 2.8521 million Mu which were issued the forest tenure certificates, 98.6% of the 2.8934 million Mu to be registered. At present, the county has 3 types of forest farmer cooperatives, namely the forest industry associations (93 joint-defence association in protecting forests, 153 bamboo association members, 33 group members and 22 individual members of forest production and forest industry associations, 53 members of silviculture and forest management associations and 22 tea-oil tree associations),

specialized forestry cooperatives (13 specialized non-wood forest cooperatives and 2 Oldhami bamboo cooperatives) and shareholder cooperative forest farms.

Situated in the northwest Fujian and at the foot of southern Wuyi Mountain, Shaowu City was called as the “iron city” historically due to its secure topography. It has a total area of 2,851.6 km<sup>2</sup> and its population was 3,013,000 at the end of 2003. Now it administers 12 towns, 3 townships, 4 sub-districts, 134 administrative villages and 43 neighbourhood committees. The forest area of Shaowu is 3.19 million Mu, the forest coverage reaches up to 70% and the forest tree stock is 14.02 million m<sup>3</sup>. Being a key forest area of Fujian, the forests of Shaowu are distributed in the 5 towns and townships of Shuibei, Nakou, Yanshan, Guilin and Dabugang and most of its forest lands are growing timber forests. The total area of non-wood forests, fuel wood forests and shelter forests cannot reach even one fourth of the timber forests. Meanwhile, Shaowu is also one of the 4 forest product processing centres in Fujian. In 2008, the city produced 406,700 m<sup>3</sup> commercial timbers and welcomed a total production value from forestry of 3.533 billion Yuan and a production value of 2.95 billion Yuan from forest industry. Since 2003, adhering to the resolution on accelerating the forest development by the central government as well as the plans made by the provincial government, the city has seriously and practically implemented the collective forest tenure reform and welcomed a number of substantial achievements through explorations and studying. By the end of September in 2009, totally 14,198 forest tenure certificates have been issued, covering 26,848 patches of lands of 2.917 million Mu, among which 13,540 certificates were issued for the collective commercial forests, covering 23,696 lands of 2.002 million Mu. Meanwhile with respect to the reform, other matching sub-reforms were also undertaken. The reform has been significantly promoted by building the specialized forest service system, scientific and technological support system, socialized forest service system, investing and financing system, forest protection system and cooperative forest management system. Currently, the 5 major types of forest farmer cooperatives in Shaowu include joint-household management (376), shareholding

family cooperative forest farms, companies plus farmers, enterprise-run bases and bamboo associations.

## **2.2 Basic Information of Project Villages**

Mayang Village and Shanlian Village of Xicheng Town, Youxi County, Fujian Province have typical shareholding cooperative forest farms and specialized forestry cooperatives. Mayang Village has 7 sub-villages, 24 villager groups, 585 households, and 2,499 people. It covers a total land area of 18,054 Mu, including 13,357 Mu lands for forest uses and a same area of forest lands, of which 12,549 Mu are commercial forests and the rest 808 Mu are ecological forests for public welfare. Established in 2004, based on the principle of “allotting shareholding without contracting mountains and sharing profits without contracting forests”, the shareholder forest farm of Mayang Village implemented the joint stock management. All bamboo forests are distributed to farmers to manage, while the ecological forests of public welfare are uniformly managed by the forest farm and not converted into shares. All villagers hold the membership of the forest farm as shareholders. The forest farm’s operation scope covers forestation, forest management, forest and tree resource management, logging and forest product marketing. Shanlian Village has 3 sub-villages, 10 villager groups, 210 households and 930 people. It covers a land area of 11,020 Mu, of which 9,379 Mu are for forest uses, including 2,422 Mu ecological forests of public welfare and 6,957 Mu commercial forests. Guided by relevant superior authorities and based on the suggestion of the village neighbourhood committee, the village authorities developed a plan to readjust the forest property rights and decided to set up the Lu Yuan Forest Cooperative of Shanlian Village which operates as a joint stock based on the principle of “allotting shareholding without contracting mountains and sharing profits without contracting forests”. Now the cooperative has 226 household members.

The project villages in Shaowu City are Jiashang Village of Nakou Town and Erdu Village of Shuibei Town, of which the former has a family cooperative forest farm and a trustee forestation group while the latter has a bamboo association.

Jiashang administers 9 villager groups, 435 households and 1620 people. It has a total land area of 52,000 Mu, including 45,500 Mu and 4,080 Mu bamboo forests. The total production value earned by the village in 2008 was 4.5 million Yuan, including 3.8 million Yuan from the forest sector and the per capita income of the local farmers was 5,800 Yuan, including 3,500 Yuan from forestry, accounting for 60% of the total. During the collective forest tenure reform, the wider public have been involved for their opinions, cooperative forestation has been promoted and the family cooperative forest farms have been encouraged and supported, which are also supervised and equipped with related guidance. The Family Cooperative Forest Farm of Jiashang Village was set up in April, 2005, and its 6 shares were shared by 10 households. All shareholders are farmers of the village. The forest farm's operation scope covers forestation, forest guard and protection, tending, management, logging and marketing. Established in 2007, the Trustee Cooperative Forestation Group of Jiashang Village signed a contract with a forest management firm of the Shaowu Forestry Bureau for their cooperation in planting firs as a commission. Erdu Village has 52,000 Mu lands, most of which are hilly. It governs 16 villager groups, 456 households and 1,625 people. It covers a forested land area of 46,000 Mu and has a forest stock of 191,000 m<sup>3</sup>. The village revenue in 2008 was 360,000 Yuan and the per capita income of its villagers was 5,146 Yuan, including 70% from forestry. Erdu has been paying attention to the development of a forest farmer cooperative during its forest administration and officially set up the Bamboo Association of Erdu Village in 2002 by registering in the local civil administration. Now the association has 432 household members and it mainly works on the bamboo management and marketing.

### **3. Research Methods**

Rapid Rural Appraisal (RRA) and Participatory Rural Appraisal (PRA) were combined during the case study and spot check, questionnaire, problem trees, semi-structured interview, event interview, commodity chain analysis, SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis and other methods and analyzing tools were used. Meanwhile to the collection of farmers' basic status and

the understanding of their awareness of the forest farmer cooperatives, the questionnaire also attached attention to the farmers' opinions, viewpoints and suggestions. 172 valid questionnaires were completed in 4 villages, including 62 filled by cooperative members, 26 by non-members, 29 by cooperative leaderships and representatives, and 27 by leadership of the village neighbourhood committees, 14 by the town/township leaderships and 14 by the county government leaderships.

Workshops at village and county levels mainly involved different stakeholders including related governmental departments, forest farmers, village officials and forest farmer cooperative leaderships to discuss on the current situation and prospects of the development of forest farmer cooperatives (as in Table 1 and 2). The workshops applied result feedback, delivery of viewpoints and suggestions, in-depth interviews with key targets, SWOT analysis and other methods to organize the workshop participants to hold discussions on the strengths, weakness, opportunities, threats, demands and policy suggestion of the cooperative development.

**Table 1 Basic Data of Four Village-level Workshops on Forest Farmer Cooperatives**

No.	Time and Venue	Involved Forest	Involved Stakeholders and Departments and
		Farmer Cooperatives	Number of Participants
1	March 12, 2010, Meeting Room on 2 <sup>nd</sup> Floor, Village Neighborhood Committee of Erdu Village, Shuibe Town, Shaowu City	Bamboo Association of Erdu Village	16 participants including Shaowu Forestry Bureau, Shuibe Forest Station, Erdu Village Neighborhood Committee, non-member villagers and survey group members
	March 12, 2010, Meeting Room on 2 <sup>nd</sup> Floor, Forest Station of Nakou Town, Shaowu City	Family Cooperative Forest Farm and Trustee Cooperative Forestation Group of Jiashang Village	11 participants including Shaowu Forestry Bureau, Nakou Forest Station, Family Cooperative Forest Farm of Jiashang, Trustee Cooperative Forestation Group of Jiashang, non-member villagers, Forest Management Company of Shaowu, Jiashang Village Neighborhood Committee and survey group members

3	March 11, 2010, Meeting Room on 2 <sup>nd</sup> Floor, Forest Station of Xicheng Town, Youxi County	Yikang Shan Oil Camellia Cooperative and Yimin Oldhami Bamboo Cooperative	17 participants including Youxi Forestry Bureau, the People's Government of Xicheng Town, Xicheng Forest Station, Yikang Shan Oil Camellia Cooperative, Yimin Oldhami Bamboo Cooperative, non-member villagers and survey group members
	March 11, 2010, Meeting Room, Village Neighborhood Committee of Shanlian Village, Xicheng Town, Youxi County	Luyuan Forest Cooperative of Shanlian Village and Shareholder Cooperative Forest Farm of Mayang Village	21 participants including Youxi Forestry Bureau, the People's Government of Xicheng Town, Village Authorities and Neighborhood Committee of Shanlian, Mayang Village Neighborhood Committee, Luyuan Forest Cooperative of Shanlian, Shareholder Cooperative Forest Farm of Mayang and survey group members.
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**Table 2 Basic Data of Two County/City-level Workshops on Forest Farmer Cooperatives**

No.	Time and Venue	Involved Stakeholders and Departments	No. of Participants
1	March 14, 2010, Meeting Room on 6 <sup>th</sup> Floor, Forestry Bureau of Youxi County	Forestry Department of Fujian Province, the People's Government of Youxi County, Forestry Bureau, Agriculture Bureau, Industrial and Commercial Bureau, Taxation Bureau, Bureau of Water Resources, the People's Government of Xicheng Town, Xicheng Forest Station, the People's Government of Xinyang Town, Xiyang Forest Station, Yikang Shan Tea-oil Tree Cooperative, Yimin Oldhami Bamboo Cooperative, Luyuan Forest Cooperative of Shanlian Village, Shareholder Cooperative Forest Farm of Mayang Village, non-member villagers and survey group members	32
2	March 15, 2010, Meeting Room on 2 <sup>nd</sup> Floor, Forest Service Center of Shaowu City	Shaowu Forestry Bureau, Agriculture Bureau, Civil Administration, Bureau of Water Resources, Industrial and Commercial Bureau, Forest Stations of Shuibei Town and Nakou Town, Family Cooperative Forest Farm and Trustee Cooperative Forestation Group of Jiashang Village, and Bamboo Association of Erdu Village	23

## 4. State of Forest Farmer Cooperatives

### 4.1 Basic Information

The survey involved 7 forest farmer cooperatives, including 4 in Youxi County, i.e. Lu Yuan Forest Cooperative, Yimin Oldhami Bamboo Cooperative and Yikang Shan Tea-oil Tree Cooperative of Shanlian Village and Shareholder Forest Farm of Mayang Village, and 3 in Shaowu City, i.e. Bamboo Association of Erdu Village and Trustee Cooperative Forestation Group and Family Cooperative Forest Farm of Jiashang Village (as in Table 3).

**Table 3 Basic Conditions of Forest Farmer Cooperatives of the Case Study**

No.	Name	Time of Establishment	Location	Memberships (individuals or households)	Forest Ares (Mu)	Registration or Enlistment	Operation Scope
1	Lu Yuan Forest Cooperative of Shanlian Village	October, 2007	Shanlian Village, Xicheng Township, Youxi County	226 households	390	Unregistered	Silviculture, forest management, tending, protection, logging and marketing
2	Yimin Oldhami Bamboo Cooperative	October, 2007	Xicheng Township, Youxi County	70 households	Over 3,000	Registered in industrial and commercial department	Purchase of products, product processing and exportation
3	Yikang Shan Tea-oil Tree Cooperative	July, 2009	Shuangli Village, Xinyang Township, Youxi County	110 households	2,141	Registered in industrial and commercial department	Purchase, processing, storage, transportation and marketing
4	Shareholder Forest Farm of Mayang Village	2004	Mayang Village, Xicheng Township, Youxi County	585 households and 2,499 persons	13,357	Unregistered	Silviculture, protection, tending, administration, logging and marketing of products
5	Bamboo Association of Erdu	2002	Erdu Village, Shuibei Township,	156 persons	17,000	Registered in civil administration	Providing guidance on management and protection,

	Village		Shaowu City				bridging markets, transacting dispatching and transportation procedures, etc.
6	Trustee Cooperative Forestation Group of Jiashang Village	2007	Jiashang Village, Nakou Township, Shaowu City	47 households	132	Unregistered	Silviculture, protection, tending, administration, logging and marketing
7	Family Cooperative Forest Farm of Jiashang Village	April, 2005	Jiashang Village, Nakou Township, Shaowu City	10	2,451	Unregistered	Silviculture, protection, tending, administration, logging and marketing

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**Lu Yuan Forest Cooperative of Shanlian Village:** Established in October 2007, the cooperative has a board and a steering committee and it has 10 organizational members including the president, board members, inspectors, accountants and cashiers who are elected by the villagers. No village officials occupy any post in the cooperative and the cooperative is totally independent upon the village neighbourhood committee. Under thorough discussion, the villagers agreed that the issue of first priority was how to plant, manage and protect forests on the existing hilly cut-over slash areas as well as how to manage the circulation of forests as their contracts expire in the future. However, it was impossible either for the village to plant forests with the mean finance or for most of the individual villagers to afford the expensive forestation and management costs. The existing issue in the current forest management could only be solved by setting up a shareholder forest cooperative joining up the whole village and villagers to manage forest thoroughly independently by villagers, according to the survey and study and the democratic decision making. Therefore, the cooperative was set up and now it has 226 household members, 16 more than the households of the village.

**Yimin Oldhami Bamboo Cooperative:** Established with a registration capital of 30,000 Yuan in October 2007, the cooperative was voluntarily organized by the 7



large Oldhami bamboo planting households in Xicheng, Chengguan and Meixian of Youxi County. It aims to solve the problems of disorderly bamboo planting, significantly fluctuating annual prices of bamboo shoots and bargain sales at competing prices among farmers and to improve the organization of farmers based on the principles of equity, free will and mutual benefits. Now the cooperative has got an operation capital of 100,000 Yuan, which is mainly used for purchasing processing facilities. The cooperative manages over 3,000 Mu Oldhami bamboo (half of which are located in Xicheng), which annually produce 750 kilograms shoots per Mu. It has set up purchasing stations in 3 villages and the purchases are mainly sold to the Fengye Agricultural Production Ltd. Co., a Taiwanese enterprise. The prices are transparent, e.g. the purchasing price of bamboo shoots in 2009 was 2 Yuan/kg, bamboo timber was 300-400 Yuan/ton, and the average production value per Mu reached 1,800 Yuan. The cooperative has enjoyed substantial supports from the county forestry bureau and the town forest station during its development. Now it has maintained a nice relationship with the local forestry authorities, which have organized a number of trainings for free for the bamboo farmers, covering bamboo and bamboo shoot planting techniques, prevention and control of pests, insects and diseases and various aspects of the daily management.

**Yikang Shan Tea-oil Tree Cooperative:** Located in Shuangli Village, Xinyang Town of Youxi County and established on January 1, 2009, the cooperative was initiated by 10 persons including Mr. Chen Xiqin and is the first specialized tea-oil tree cooperative in Fujian to be qualified for the industrial and commercial registration as it has been registered in the industrial and commercial administration. It had a registration capital of 100,000 Yuan, one tenth of which was contributed by the ten initiators and other members contribute their forest lands. At the beginning, it had 48 members, most of who were from the 3 towns of Xiyu, Banmian and Xinyang and planted 1,100 Mu tea-oil trees. Now it has evolved to involve 110 members and plant 2,141 Mu tea-oil trees, being encouraged by the demonstration of the early members.

**Shareholder Forest Farm of Mayang Village:** Based in Mayang Village, Xicheng Town, Youxi County, the forest farm involves all villagers as its shareholders. The village has 7 sub-villages, 24 villager groups, 585 households and 2,499 people. It covers an area of 18,054 Mu, including 13,357 Mu lands for forest uses and the same area of forested lands, of which 12,549 Mu are commercial forests and 808 Mu are ecological forests for public welfare. Based on the numerous surveys and the in-depth analysis of the reality of both the village and its forests, as well as the thorough discussions of a number of villager congresses, in 2004, it was decided with consensus to set up the forest farm which was subsequently approved by the People's Government of Xicheng Town. The forest farm was established in the principle of "allotting shareholding without contracting mountains and sharing profits without contracting forests" and in the form of contracting management of the shareholder forest farm. It aims to deepen the principal part of the collective forest tenure reform. Its operation scope covers silviculture, forest management, forest and tree resource management, logging and forest product marketing. Its establishment has been supported by the county forestry bureau, township forest station and the villagers, but has not enjoyed any financial support or preferential policies.

**Bamboo Association of Erdu Village:** Located in Erdu Village of Shaowu City, the association was founded in 1991. At that time, the bamboo forests were almost unmanaged after being contracted to farmers and the related marketing was unprofitable or even suffered losses. The bamboo shoots were sold at 5.5 Yuan per 10 kilograms at that time, from which the incomes did not contribute significantly to the family incomes. Besides, the farmers were faced with the pressure of depressed prices of bamboo and bamboo shoots and blocked transportation to outside by aggressive tactics in the bamboo and bamboo shoot markets from the outside. In the year 2000, several households initiated to jointly sell the local bamboo shoots to the exterior markets at higher prices. The Bamboo Association was set up under the guidance of local governmental departments and registered in the civil administration in 2002. It gradually evolved by setting up its own regulations, standardizing its operations and

enlarging its scale. It already involved 106 households in 2003, and now it has 156 individual members involving 432 households. It operates 17,000 Mu bamboo forests which newly plant 360,000 culms of bamboo yearly, grow 220,000 stems annually and produce a production value of 2.6 million Yuan. The association provides one-stop services for production, supplies and marketing, including equipping bamboo farmers with scientific guidance to manage and protect the hilly bamboo forests, organizing the Moso bamboo production, bridging appropriate markets and transacting related procedures e.g. transportation. Since its establishment, it has been enjoying supports from the city forestry bureau, town and township forest stations and related education and science authorities at city level in constructing roads in the hilly bamboo forests, training on prevention and control of pests and diseases, and building sprinkling irrigation or other irrigation facilities. In addition, the village neighbourhood committee also provided certain financial support in the first few years after the association's establishment.

**Trustee Cooperative Forestation Group of Jiashang Village:** Located in Nokou Town of Shaowu City, the forestation group was established at the end of 2007. There were 747 Mu cut-over slash areas in Jiashang to be distributed. Considering the small area of the per capita land after the distribution of the forest lands and the difficulty in the scale management of the fragmental forests owned by different households, under discussions by the village authorities and the farmers, they all agreed to sign a joint contract with the forest management company of Shaowu Forestry Bureau to cooperate in planting and managing fir plantations as a commission based on the equal distribution of profits. Now the group has finished the planting of the fir forests and the forest trees are still very young and no profits have been gained.

**Family Cooperative Forest Farm of Jiashang Village:** Located in Nokou Town of Shaowu City and established in April 2005, the forest farm has 2,451 hilly forests which are estimated to worth 2.1272 million Yuan, which are converted into 6 shares to be shared by 10 households. All its shareholders are the farmers of Jiashang.

Species involved include fir, Masson pine and Moso bamboo. Based on the achievements of the collective forest management, the forest farm is a joint stock converted by the estimated values of the farmers' contracted hilly forests and is a new mode and approach for the management of the forest lands and trees. It aims to achieve the scale and efficient management from the dispersed and inefficient management, control the management costs, improve the management scale and profits, enhance the joint control and protection of hilly forests and realize the increases of both yields and incomes for the vast forest farmers. Now the farm is mainly carrying out the tending and management of middle-and-young-aged forests and no profits have been gained. During its development, the forestry authorities provide support in the formulation of the implementation plans and related regulations as well as related technical support.

Among the above 7 forest farmer cooperatives, there are 3 cooperatives, 2 family cooperative forest farms, 1 association and 1 forestation group. 3 have registered in the governmental authorities, including 2 cooperatives and 1 association and the other 4 have not registered. All the cooperatives just have a short history and most of them have not registered in the industrial and commercial departments or civil administrations. However, during their evolution, they get certain supports from related authorities e.g. the forestry departments at county or township levels, technical extension departments and local village neighbourhood committee, including financial support for their initiation, training on planting techniques, investments in the infrastructures and related facilities, etc. The cooperatives have uneven scales ranging from 17,000 Mu of the largest to 390 Mu of the smallest and their business scopes include silviculture, maintenance and protection, purchase and marketing, etc. Among them, 4 cooperatives are mainly engaged in silviculture, 1 in maintenance and protection and 2 in purchase and marketing.

## **4.2 Organization and Management**

### **4.2.1 Set-up Mechanism**

There are mainly two mechanisms. One is the establishment driven by farmers or

successful people (or bottom-to-top) and the other is the induction by related authorities (or top-to-bottom). The former mechanism grows Yikang Shan Tea-oil Tree Cooperative, Yimin Oldhami Bamboo Cooperative of Youxi County, Bamboo Association of Erdu Village and Trustee Cooperative Forestation Group of Jiashang Village and the latter refers to Shareholder Forest Farm of Mayang Village, Lu Yuan Forest Cooperative of Shanlian Village and Family Cooperative Forest Farm of Jiashang Village.

#### **4.2.2 Operational Setup**

**One is the operating organization of associations**, e.g. the Bamboo Association of Erdu Village. Such organizational setup is composed of administrative organ and executing organ.

**The other is the operating organization of shareholder forest farms**, mainly refers to the shareholder congress, board of trustees or directorate and steering committee. Usually, there will be a shareholder congress if there are a large number of shareholders (e.g. the Shareholder Cooperative Forest Farm of Mayang Village) and a shareholder meeting involving all shareholders if the number is small (e.g. the Family Cooperative Forest Farm of Jiashang Village).

#### **4.2.3 Decision Making**

Most of the forest farmer cooperatives in Fujian adopt the voting of “one person one ballot”. However, the case study showed that most of the cooperatives except the Yikang Shan Tea-oil Tree Cooperative are influenced by the following 3 factors. **Firstly**, as a scarce element for production, currently, the rural capital enjoys higher marginal productivity, so the “one person one ballot” mechanism often concedes to “one share one ballot”. **Secondly**, the influences and discretion of successful people often affect the efficiency in making decisions. For example, the Yimin Oldhami Bamboo Cooperative of Youxi County formulated its own regulation on the organizational setup and administration. However, it seldom operates in accordance with the provisions in the regulation during its management and administration after the formulation, instead, its daily management practices are mainly in the charge of

the initiators. Thirdly, the democratic decision-making has been aborted in many cooperatives due to the weak awareness of democracy among their members or because they waive their votes.

#### **4.2.4 Profit Distribution**

##### **(1) Profit Distribution in Shareholder Cooperative Forest Farms**

It is most apparently characterized by the distribution based on shares or proportions. For example, villagers of the shareholder forest farm in Mayang Village execute the mechanism of “even shares and even profits of all members”. The forest farm withholds 11% for the forestation and the rest is distributed at shares, of which the shares of forestlands and those of villagers respectively account for 40% and 60%. The forestland shares are owned by the village neighbourhood committee mainly for the village’s commonweal, partial forestation, tending and protection (e.g. prevention and control of pests, insects and diseases) and appraisals. The villager shares are evenly distributed to the shareholding villagers. Meanwhile, annually, the directorate withdraws 7% of provision from the forest farm incomes for awards. The cooperative forest farm of Jiashang distributes its profits once every year based on the shareholding structure (i.e. the proportion of shares converted from money of the year) of its members. The forest farm also stipulates the uses and proportions of its incomes. As agreed by the shareholder meeting, 50% of the incomes are used for bonuses, 40% are used for the expansion of reproductions and 10% are used for other expenditures.

##### **(2) Profit Distribution in Specialized Associations of Forest Farmer**

Such associations do not produce many profits and they do not impose many requirements or obligations on forest farmers, so there is no profit distribution at all. Usually, they do not have much money nor even work as an economic entity and they mainly solicit the limited funds from the local government or its functional departments and collect contributions from forest farmers for their activities. Member forest farmers merely need to pay some fees and obey related regulations and then they can enjoy the service provided by the association. The severest challenge to such association is the funding for daily operation, which is currently confronting the

Bamboo Association of Erdu Village.

### **(3) Profit Distribution in Forest Farmer Cooperatives**

Regarding the Yikang Shan Tea-oil Tree Cooperative and Yimin Oldhami Bamboo Cooperative, there are mainly two mechanisms, return profits and refund to the members based on the amount of their deals with the cooperative. For example, the former withholds 15% for reserve fund and 15% for commonweal fund to expand the reproduction, train and offset the deficits. The remaining 70% will firstly pay bonuses for the invested capital at the interests of the private loan and then refund to the members according to the amount of their deals with the cooperative. And the latter adopts the mechanism of refunding based on the amount of deals.

#### **4.2.5 Organizational Management**

The organizational functions were only practiced because of the members' enthusiasm and government's encouragement at the beginning of their establishment; however, due to the meagre profits of these forest farmer cooperatives, as the development of forest industry, the improvement of market orientation and the enhancement of the socialized service systems, the so-called self-contained organizational structure of cooperatives do not actually fulfil their functions, some of which even have not re-elect the leaderships for years nor convened meetings. For example, the Bamboo Association of Erdu Village has done virtual no work in recent years. With its loose organization, the association does not fulfil its role. During the survey and interviews, some farmers said that so far the issue about forest roads had not been settled and the association was just a frame without any contents, which is also the situation in other cooperatives to different extents.

Cooperatives have played certain roles in special historic periods, e.g. the Bamboo Association of Erdu Village helped link the markets when there were gaps between supplies and demands of bamboo timbers; and the Trustee Cooperative Forestation Group of Jiashang Village settled the difficulties in the distribution of small patches of lands when the forest tenure reform required to identify the property rights. So far such so-called cooperatives have completed their historic missions and

became the subordinated civil organs to the village neighbourhood committees and other governmental departments. Both their functions and works are dispensable. Their stereotyped boards or directorates and steering committees cannot work out their functions in the daily management, e.g. so far Mayang Village has not yet determined the relationship between the shareholder forest farm and the neighbourhood committee. Some cooperatives were established in loose organizational frameworks because some large households wanted to enjoy more preferential policies other than to enlarge the production or produce any economic outcomes, so they cannot bring any real benefits for farmers.

Comparatively, some cooperatives have standardized management, but no corporate organization has been formed. Yimin Oldhami Bamboo Cooperative has its own regulations, however, during the practical operations, such regulations have no real effects. And the management of Yikang Shan Tea-oil Tree Cooperative is over centralized and the democratic rights of its members cannot be practiced.

### **4.3. Effectiveness of Current Policies**

#### **4.3.1 Specific Current Policies**

##### **(1) National Policies**

Relevant policies have been issued successively since 2007 at a macro level and they provided guidance and orientations for the future concrete policies. The *Guidelines on Accelerating the Development of Specialized Forest Farmer Cooperatives of the State Forestry Administration of the People's Republic of China* ([2009] 190 by SFA on Forest Tenure Reform) provides certain references for the development of forest farmer cooperatives.

**a. Legislation.** The *Law on Specialized Farmer Cooperatives of the People's Republic of China* issued in 2007 provides complete legal justification for the cooperatives.

**b. Financial Management and Supervision.** The *Notice on Issuing the Financial and Accounting System of Specialized Farmer Cooperatives (Testing) of the Ministry of Finance* ([2007] 15-Finance) provides guidance on the financial operation



and management of these cooperatives.

**c. Financing and Forest Insurances.** The *Guidelines on Financial Services for Collective Forest Tenure Reform and Forestry Development* by People's Bank of China, Ministry of Finance, China Banking Regulatory Commission, China Insurance Regulatory Commission and the State Forestry Administration ([2009] 170 by PBC) stipulates that the forest insurances should be included into the agricultural insurances in respective localities for uniform management and the insurance companies, forest enterprises, specialized forest farmer cooperatives and forest farmers may be involved in the forest insurances through necessary policy instruments like insurance subsidies to expand the forest area insured. Insurance companies should continuously improve the insurance types for forests and make innovations in services to improve the quality of forest insurance services step by step.

**d. Taxation Policies.** The *Notice on Taxation Policies towards Specialized Farmer Cooperatives* by the Ministry of Finance and the State Administration of Taxation ([2008] 81-Finance and Taxation) specifically determines that the value-added taxes (VAT) of agricultural products produced by cooperative members and sold by the cooperative may be exempted as they are sold by the producers themselves; common tax payers may enjoy a deduction rate of 13% in paying input VAT for the tax-free agricultural products they bought from cooperatives; the VAT of agricultural film, seed, seedling, fertilizer, pesticide and agricultural machinery sold by a cooperative to its members may be exempted; and the stamp taxes may be exempted when a cooperative signs contracts on buying and selling agricultural products and production materials with its members.

**e. Registration.** The *Bylaw on Managing the Registration of Specialized Farmer Cooperatives* and the *Opinions on Managing the Registration of Specialized Farmer Cooperatives* by the State Administration for Industry and Commerce were issued in 2007.

## **(2) Provincial Policies**

*The Opinions on Continuously Deepening Forest Tenure Reform and Developing*

*Modern Forestry in Western Side of the Straits by the Provincial Branch Committee of CPC and the People's Government of Fujian Province* ([2009] 44-Fujian) points out that guidance should be provided for the development of forest farmer cooperatives. On the basis of the clarified property right, forest managers should be guided to organize forest farmer cooperatives to promote the scale and intensified forest management by means of shareholding or so. The administration system of such cooperatives needs to be continuously improved, their management behaviors should be regulated and the management improved. Support for such cooperatives should be increased and enhanced and “three exemptions, three subsidies and three privileges” should be enjoyed by those cooperatives established legally, i.e. exemptions of registration fees, VATs and stamp taxes, subsidies in forest tree seedlings, discount loans and forest insurances, and privileges in cutting quota, scientific and technical extension projects and various national supportive policies. The *Management Measures on Expropriation and Use of Forest Cultivation Funds* should be strictly implemented and the funds must be used for the specially assigned items and no misappropriation is permitted. Since January 1, 2010, the expropriation standard of forest cultivation fund has been reduced to 10% of the incomes from selling forest tree products from the previous 20%.

Related regulations on activating commercial forests by the provincial government provide guidance for the cooperatives to develop their own forest management plans in the principle of “equal privilege with green paths as appropriate” and their forest tree cutting quota can be separately determined for the scientific and reasonable use of forest resources.

As for the financial support, some local governments set up special funding for the development of forest farmer cooperatives and some of them even will allocate the project subsidies solicited from higher level government to priority cooperatives with favourable conditions. For example, annually, the government of Sanming City allocates 300,000 Yuan to assist 30 forest farmer cooperatives to develop their demonstration sites to extend the effects and set up the examples. The financial

support from the local governments can relieve their financial embarrassment for operation to some extent.

#### **4.3.2 Analysis of Effectiveness of Current Policies**

In the context of the collective forest tenure reform, the current policies are of both advantages and disadvantages for the development of forest farmer cooperatives and they are faced with various opportunities and challenges, which will affect their effective implementation and the effects.

**Strengths (S):** The governmental departments of Youxi and Shaowu attach more importance to such cooperatives and they are experienced in both the collective forest tenure reform and the development of forest farmer cooperatives. They pay much attention to various related policies at national, provincial and city levels and farmers in the two localities are more motivated.

**Weakness (W):** Despite some preferential policies formulated legislatively, they are disconnected with the actual situation to a certain degree. The existing policies cannot meet the needs of the cooperative development. Although they are formulated with a good intention, the real benefits reaching farmers are very few and there are some questions about their effectiveness in practice as they are very rigid with limited flexibility in the implementation. The preferential policies can merely be enjoyed by the forest farmer cooperatives, excluding family cooperative forest farms, forestry associations, shareholder forest farms and so on. Meanwhile, most of the forest farmers know very little about the current policies.

**Opportunities (O):** In the context of collective forest tenure reform, China attaches great importance to the development of forestry reform and forest farmer cooperatives, so relevant policies will be increasingly deepened and specified.

**Threat (T):** The effectiveness of the policy implementation has direct impacts on the enthusiasm of farmers to form the cooperatives and their confidence on the governments and it is also a huge challenge for such policies to be time-tested. Meanwhile, the policy continuity will also affect the forestry production behaviours and decision making of forest farmers. Besides, some large households may enjoy the

preferential policies in a free ride, which violates the goal of such policies to support smallholders.

#### **4.4 Main Challenges**

The forest farmer cooperatives established after the collective forest tenure reform are characterized by their self-management, which is obviously different from those before the reform. However, as a brand new forest management mode under the new situation, their organization and establishment are hasty, the history is still very short and there are no improved matching policies and measures. As a result, some obvious problems exist in both the internal and external environments.

##### **4.4.1 Lack of Democratic Decision Making**

The local officials actually are also the leaders of the cooperatives and the village neighbourhood committee and its officials are closely related with these organizations, memberships and some even work for it concurrently. Taking the shareholder forest farm in Mayang, the head of the villager group of the current term directly becomes the representative of shareholders as it relates to the forests of all households of the village. The board chair namely is the current head of the village neighbourhood committee and he is also the legal representative of the forest farm. The chair of the steering committee comes out from the shareholders, but meanwhile the village officials or related staffs are employed as its members. In some bottom-to-top cooperatives, decisions are even made by only one person and the participatory decision-making by its members has not been formed. In addition, the democratic decision-making is aborted in many cooperatives due to the weak awareness of democracy of their members. It is inevitable that some members want to get a free ride no matter if the cooperative is initiated by successful people or induced by the department and some members consider it is the leaders' business to make decisions. So they pay no attention to the development of the cooperative and automatically waive their votes. The same problem exists in the decision-making on daily administration of the cooperative.

#### **4.4.2 Inadequate Management Scale**

Many forest farmer cooperatives are small scale and their intensification needs to be enhanced. Their holistic capacity is weak, the inter-area cooperation is limited, the management areas are small, (most of which are just limited to the township or village in which they are located and often do not exceed the city or county), and the driving force is inadequate. Most of their members are the local farmers, new blood is in short supply, the service and technical capacity is very weak, the profits they gain are limited and the internal capital pool is small, so they do not have enough capacity to invest outside themselves. For example, the small-scale family cooperative forest farmer of Jiashang Village only has ten households, most of who are the local farmers and account for 2.3% of the total 435 households in the village. The area of the forest farm is 2,451 Mu and accounts for 5.4% of the 45,500 Mu lands for forest uses.

#### **4.4.3 Limited Management Scope or Simplistic Services**

The services and management practices of most of the forest farmer cooperatives are very simple. They mainly focus on the forestation and forest management without involvement in other scopes. For example, the family cooperative forest farm of Jiashang Village mainly produces forest trees and has no operations extending lengthways in the industrial chain of forest trees. There are very few cooperatives both involving in pre-, in- and post-production services and providing techniques, product processing, marketing and other integrated services.

#### **4.4.4 Lack of Appropriate Awareness of Farmers towards Forest Farmer Cooperatives**

The forest farmer cooperative is still a fledgling business to the Chinese farmers, who ideologically usually confuse them with the collective economy. The survey results showed the cooperatives, the village neighbourhood committees and the members think that other departments should provide more financial support for the forest management by the cooperatives, which is out of accordance with the concept of the mutual-help, self-serve and self-administrative farmer cooperatives as the mainstream. The support from other departments is a significant incentive for the

initial development of the forest farmer cooperatives; however, as the continuous expansion of market demands and the further increases of farmers' needs in various productions, the cooperatives should play an increasingly important role in the future. Considering the long-term development, the deviation between farmers' understanding about the cooperatives and the cooperatives' self-understanding will undoubtedly restrict their own sustainable development and then further affect the forest management.

#### **4.4.5 Inadequate Definition of Forest Farmer Cooperatives**

In addition to the above challenges, the definition of forest farmer cooperatives is also insufficient. Currently there are various types of forest farmer cooperatives and they are not those specialized forestry cooperatives in the narrow sense, but they also include the specialized forest associations, shareholder cooperative forest farms, family cooperative forest farms and other cooperatives in loose organization. All of them mainly involve forest farmers and present a new situation for the collective forest management after the reform. However, the lack of clear definitions between these cooperatives will lead to confusion in people's awareness and the practical management. For example, the Luyuan Forest Cooperative of Shanlian Village is named as a cooperative, but in fact it is a shareholder cooperative forest farm in terms of operation and practices.

### **5. Attitudes, Behaviours and Viewpoints of Different Stakeholders**

#### **5.1 Governments at Different Levels**

##### **5.1.1 Provincial Forestry Authorities**

The representative of the provincial forestry department proposed to establish a project office and suggested that the country should identify clear standards of supports while the localities should extend the scopes to be supported and no executive instruments should be used to excessively speed up their development. The obligations of executive departments should include providing guidance, supports and service, i.e. active guidance on the cooperatives, supports in terms of finance and

projects and assistances at all related aspects.

### **5.1.2 Governments at County and/or City Levels**

Their main viewpoints are as follows:

(1) **It is necessary to establish forest farmer cooperatives to some degree.** Difficulties lie in the identification of rights to forest lands managed by cooperatives. It is very costly to identify all rights and it is impossible to equally distribute the mountains and equally share the rights. It is a realistic option to solve the issue of the identification of rights to forest lands. In addition, the per capita area of these forest lands will be very small if they are distributed evenly based on heads and it is unfavourable for the forest land management, so it is necessary to implement the cooperative management.

(2) **The site-appropriate development of forest farmer cooperatives should be promoted.** The central government has a very good intention to accelerate the cooperatives; however, we should implement it in a site-appropriate and case-appropriate way in accordance with different conditions in different localities. We should not promote the development of cooperatives in the formalized way but we should bring authentic benefits to the people.

(3) **The preferential policies for forest farmer cooperatives are limited.** The specialized forestry cooperatives are mainly engaged in the production, marketing and processing, so it is impossible for them to fully enjoy all preferential forest-related policies.

### **5.1.3 Forestry Bureaus at County/City Level**

The forestry bureaus at county/city level play an important part in the development of forest farmer cooperatives and they hold a highly positive attitude towards them. For example, when the Bamboo Association of Erdu Village was established, the Forestry Bureau of Shaowu City provided great supports including inputs in the road construction and dripping irrigation system and a scientific research project on pest and disease prevention and control implemented in Erdu. Their attitudes and viewpoints towards the cooperatives are as follows:

(1) **The establishment of the cooperatives was inevitable with certain**

**conditions in a certain context as an organization voluntarily formed by farmers.**

The scale intensive management will be the trend after the forest tenure reform and thus the cooperative management is needed for the intensification. Although there are no concrete national guidelines or implementation measures on the form, missions, goals and management approaches of forest farmer cooperatives, they are still the important targets to be supported by the country. They should widen their business scope, fully play in the rural economy, and develop themselves aiming at increasing farmers' incomes and strengthening the forest industry.

**(2) The severest challenge to the development of such cooperative is the lack of funding.** As a farmer organization, the cooperatives will meet difficulties in their survival and development. They cannot continuously evolve solely dependent on the farmers themselves nor without any guidance by the government or policy support. With respect to the existing problems in deposit loans with forest tenures, the administrative officials from the forestry bureaus said that such problems would be solved step by step.

**(3) The success of a forest farmer cooperative depends on the leadership of the cooperative.** The influences and prestige of the cooperatives' leaders will take up a very important status in such cooperatives.

**(4) The scientific and technological support to the cooperatives will be increased.** The forestry bureaus will coordinate with relevant departments to practically implement the preferential policies and ensure their rapid and sound development and efficient operation. From the angle of forestry administration, it is impossible to provide too many privileges for the forest farmer cooperatives; otherwise, it will be unfair for those non-member forest farmers.

**(5) The finance of such cooperatives should be independent.** The cooperatives should set up a separate account and bear in mind the lessons on capital embezzlement. The organization should be independent of the village authorities while having self-contained management systems, but the guidance and supervision by the village authorities should be maintained.

**(6) The issues related to the cooperatives should be jointly solved by various sectors and departments.** The interdepartmental relationship needs to be well harmonized by the central or superior departments in order to solve some problems, e.g. taxations and preferential policies on loans. As the deepening of the forest tenure



reform occurs, related policies will be more and more specific and improved.

#### **5.1.4 Forestry Authorities at Town/Township Level**

The forestry departments at town level hold the most evidently positive and supportive attitude towards the initiation of forest farmer cooperatives. As for the staff of the town forest station, the existence of such cooperatives has significantly simplified their work flow, saved lots of time costs and improved their working efficiency. Their viewpoints towards such cooperatives include:

(1) **They need to be guided by relevant departments.** Farmers themselves know very little about the market, guided by the national policy to alleviate farmers' burdens, in order to avoid any additional impositions on the member farmers of such cooperatives, they will need the guidance and supervision of the village authorities. Some specialized forest associations are non-profit organizations and they will need more national supports in terms of policies and finance.

(2) **There is no a self-contained national policy framework.** The Chinese forest farmer cooperatives were still in their initial stage, there was no a complete national policy framework and the farmers had not yet virtually experienced the concrete preferential policies, which depressed the farmers.

(3) **The original intention to establish the forest farmer cooperatives is to realize and safeguard the forest farmers' benefits.** The village neighbourhood committee should not exceed the cooperatives' duties and meddle in their business. Farmers can do specific business in simple ways and most of the cooperatives are tended to be driven by the leading enterprises. The supports provided by forestry authorities are limited and most of them are scientific and technological support and industrial policies.

(4) **The cooperatives need to have the elementary operation capital.** The forest farmer cooperatives, in their nature, are the carriers of the social public forestry and the vanguard of scientific and technological extension. They should be resistant to the market risks and be able to gain incomes. As a result, only with certain economic base can they run the organizations well. So such cooperatives should be equipped

with certain operational capital.

## **5.2 Village Neighbourhood Committees**

Officials from villages of Shanlian, Mayang, Erdu and Jiashang provided their opinions and suggestions on the development of forest farmer cooperatives in this survey. They all acknowledged the role of such cooperatives and most of them are willing to participate in the cooperatives as members or key leaders. The village neighbourhood committees have provided substantial supports to such cooperatives. For example, as early as before the establishment of the Shareholder Cooperative Forest Farm, the Mayang Village Neighbourhood Committee carried out a great many surveys, interviews and in-depth discussions in cooperation with relevant departments and then set up the forest farm after many discussions on the villager congress. The committee has been active in supporting the forest farm to develop related organs and regulations and assisting it in carrying out various forestry production activities since its founding. The Erdu Village Neighbourhood Committee is very active in participation with substantial support to the Bamboo Association and it supervises and administrates the association's management behaviours. Official participants from Jiashang Village recognized the development of the Family Cooperative Forest Farm and the Trustee Cooperative Forestation Group and provide supervision and assistance. Most of such organizations are initiated under the leadership of the committee officials and the committees provided assistance in developing implementation plans and regulations.

The village neighbourhood committees hold the following viewpoints towards the development of forest farmer cooperatives:

(1) They are obviously supportive to their development and have played an important role in guiding the bamboo farmers' awareness of cooperative management.

(2) It is necessary to effectively coordinate the relationship between the committees and the cooperatives. The role of committees in supporting, guiding and supervising the cooperatives should be well maintained.

(3) National policies on deposit loans with forest tenures need to be further improved. Currently, it is very difficult for bamboo farmers to get loans with such rigorous conditions and the sums are very limited.

(4) Currently, the role of bamboo associations will be undermined and the village officials think the major challenge at this moment is the lack of national financial support.

(5) The cooperatives should execute the democratic administration, accept the democratic supervision, implement the fair and transparent profit distribution, practically secure various rights and benefits of the shareholders and provide necessary training for forest farmers.

### **5.3 Farmers**

#### **5.3.1 Villagers Involved in Forest Farmer Cooperatives**

**The survey found that the cooperative members agreed that it was a good way to manage forests by establishing forest farmer cooperatives.** There are difficulties in practically contracting the mountains, and little influence in increasing the total household incomes, so many villagers will desolate the forest lands and some farmers may transfer the forest lands for immediate profits. It will lead to the ownerships of forest land resources held by several large shareholders. So it is necessary to establish such cooperatives.

**Most of the member farmers hold an affirmative attitude towards the cooperatives.** All members of Trustee Cooperative Forestation Group of Jiashang Village agree with such cooperation mode which leads to the simplified and manoeuvrable operations and management with a clear profit-distributing approach. They just need to sign a contract with the forest management company and there is no complicated regulation or system. For those villagers who are unwilling to plant and manage forests or for whom such work is unaffordable, the involvement of the forest management company of Shaowu city has helped them easily tackle the regeneration and forestation of the cut-over slash areas. Most of the members of Yimin Oldhami Bamboo Cooperative regard it as a platform to deal with the marketing, increase the price and reduce the steps for exchanges and time costs; to develop scale and standardized plantations, reduce production costs, implement scientific production and increase the yields; and to be refunded and benefit from the preferential policies for cooperatives issued by the government. All members of Luyuan Forest Cooperative of Shanlian Village hold a positive and supportive attitude towards the capital investment and routine forest management practices of the cooperative.

Compared with the self-management by each household after the contracting of the forest farm, the inclusive management of forest lands into the cooperative can have a more reasonable scale and all inputs and risks during the management are equally shared by all villagers, so the management costs are reduced and the risks can be minimized. Inevitably, some members also challenged the management of such cooperatives. Shareholders of Shareholder Cooperative Forest Farm of Mayang Village actively supported the initiation and development of the forest farm because they thought its initiation would increase the public welfare and promote the sustainability of the village as a whole, and they have been seriously participating in the management and operations of the forest farm.

**Some members changed their attitudes after the cooperatives were established.** At the beginning of the establishment of the Bamboo Association of Erdu Village, it had played an important role in the management of Moso bamboo by forest farmers. However, in the past two years, as the development of the local bamboo processing enterprises, the bamboo marketing has been gradually solved, so the bamboo farmers do not need to worry about the market of their products and a few members think the membership does not bring great changes to their incomes. As a result, the enthusiasm of forest farmers to join in the association has been reduced. Members of Family Cooperative Forest Farm of Jiashang Village also changed their attitudes. At the beginning of its initiation guided by the forestry department, the shareholders were very active and had great expectations of the forest farm and wish to enjoy relevant preferential policies. However, they have not benefited from any preferential policies from forestation to forest management and they still need to manage forests on their own. Although they still have expectations of the forest farm, they are really concerned about its future.

**Cooperative members are unaware of risks in investments.** Although the cooperatives can well solve the marketing issues for farmers, usually the latter are unwilling to share both benefits and risks and they think it is necessary to be cooperative members if such mechanism is applied. During the survey in the Bamboo Association of Erdu Village, most of its members refused to construct forest roads by collecting money from themselves and they thought the best way was to get investment from the government.

### 5.3.2 Non-member Villagers

**All non-member villagers hold a wait-and-see attitude and they will be willing to join related cooperatives on the precondition that they can obtain actual benefits.** Villagers outside the Bamboo Association of Erdu Village expressed their willingness to join it if it could help them improve the management and increase incomes in the future. Villager outside the Family Cooperative Forest Farm of Jiashang Village said that they would join the forest farm if preferential policies could be enjoyed, but currently they would still wait and see and manage forests on their own because they thought the results remained the same no matter if they had joined it or not. Villagers outside the Yimin Oldhami Bamboo Cooperative are not clear about what benefits the cooperative can bring them eventually, so they are still holding the wait-and-see attitude. Besides, the fact that some cooperatives cannot operate regularly made them hesitant to join in the cooperative. In the current context with flourishing market demands, some villagers regard it unnecessary to sell their products through the cooperative. Villagers outside the Yikang Shan Tea-oil Tree Cooperative said they would be willing to hold a membership if the cooperative could bring them continuous and stable profits.

**Non-members hold a positive attitude towards the trustee cooperative forestation group.** Most of the non-members are from groups without the cut-over slash areas and they also think such a mode combining “forest management firm plus cooperative plus villagers” is simpler, more manoeuvrable and easier to be accepted. They may join it with mature conditions.

### 5.3.3 Leadership of Forest Farmer Cooperatives

**The first demand of the leadership is to solicit the financial support from the government.** A leader of Yimin Oldhami Bamboo Cooperative said, “Although the value-added taxes have been exempted, the income tax is still 25%. It is a very high rate compared with the mean profits gained by the cooperative.” “According to related policies and regulations, the cooperative should have been granted with a subsidy of 10,000 Yuan, but nobody has got it since the founding of the cooperative.” said a

leader of the Yikang Shan Tea-oil Tree Cooperative, “We would have run a processing factory in the city to press fresh Camellia oil as it was sold if it did not cost half a million Yuan to build the factory facilities.” In addition, the above two cooperatives are also faced with the issue of opportunity costs. They were initiated by the local successful people, who have invested a lot but gained so little and regretted investing in the cooperatives. A leader of the Shareholder Cooperative Forest Farm of Mayang Village said there were many challenges to the cooperatives during their operation and administration currently, mainly on how to identify their legal status as early as possible and how to solve their difficulty in obtaining operation capital. They suggested that the taxation authorities reduce or exempt the taxes to be paid by the cooperative because now the cooperative is in such dilemma that it will have to pay taxes at a high rate if it is registered, for which the forest farm has not been registered yet. They also wished relevant authorities increase their support to the cooperative during its future operation for its sound development. The leader of the Bamboo Association of Erdu Village thought that due to the reduction of their incomes in recent years, they reduced their support to the association to a great extent. In addition, the difficulties to execute the national policies e.g. on loan at deposit of forest tenure also forces bamboo farmers to improve the forest management.

**Most of the cooperative leaderships thought that solely loans could not make up for the insufficient funding for cooperatives.** The upmost limit for a cooperative to get a loan is 10,000 Yuan and it cannot meet the needs of a cooperative to develop at all. In contrast, a loan of 20,000 – 30,000 Yuan can be granted if it is applied in the name of individuals and in the rural credit cooperatives. In the past, the cooperatives just needed to register in relevant forestry authorities and then they could directly get a loan from the credit cooperatives. However, now they need guarantees to get a loan and have to go through complicated procedures. When one wants to get a loan of 200,000 Yuan, he will need to pay 7,000 Yuan management fees and 20,000 Yuan deposit, so the final loan is only actually 173,000 Yuan. Now both the above two cooperatives are faced with insufficient post-investments because they invested too

much in the earlier phase. They thought the cooperatives could not survive any longer if there was not a solution to the capital issues.

**Cooperative leaderships also worry about the sustainability of the current cooperatives.** Leaders of the Family Cooperative Forest Farm of Jiashang Village thought nowadays the forest farmer cooperatives had not been in real operation yet and worried about the formalized setup of such cooperatives. Because of the long production cycle of forestry, there is still a long way for the role of such cooperatives to appear.

## **5.4 Other Stakeholders**

### **5.4.1 Industrial and Commercial Bureaus**

Mainly specialized agricultural cooperatives fulfil the industrial and commercial registration. The shareholder cooperative forest farms will need to be registered as a corporate entity if they want to be enlisted as a stock. For registration, the companies will need to have their assets appraised while the specialized agricultural cooperatives do not need to do this and they only need to obtain the mutual acknowledgement. The industrial and commercial registration for such cooperatives is free of charge. The opinions of the 2 county/city-level industrial and commercial bureaus are as follows:

(1) **The subject to register.** It might have concealed the unwillingness of some villagers in joining in the cooperative and violated the principle of voluntary participation if it was registered with the collective forest tenure certificate of the village as a whole. In addition, it is really difficult to involve all villagers in the general assembly. Representatives of villagers can be selected to entrust with the management and the authentic signatures or authorization letters should be provided when registration.

(2) **Asset appraisal.** It provided an orientation to study to widen the funding sources with forest tenure as the inputs.

(3) **Registration of cooperatives.** The business scope permitted only covers services when a cooperatives is registered, because related licenses like production license and circulation permit will be also required if it also involves processing and

marketing. With all needed licenses or permits, the cooperative can alter its business scope. If the registered scope of a cooperative only covers services, the cooperative will suffer losses, because only a specialized farmer cooperative can enjoy preferential conditions and the cooperative members know nothing about this. The cooperative is organized by farmers and it should enjoy the preferential conditions for farmers and encourage farmer to enter into the market.

(4) **Supports to such cooperatives.** The obligations of the industrial and commercial bureau are to support, regulate and provide guidance to the specialized forestry cooperatives. The regulation and guidance are mainly related to the administration modes and management. For example, in our guidance provided for the Yikang Shan Tea-oil Tree Cooperative, we suggested they set it up firstly and then embark on the scale management and the all-in-one services of production, supplies and marketing.

(5) **Management modes of such cooperatives.** It is suggested such a management mode of company plus cooperative plus farmers. The cooperative can sign contracts on supplies and sales with farmers and establish a processing company on the foundation of the cooperative. In this way, they can easily popularize their brands, enjoy the preferential policies and get closer to farmers.

#### **5.4.2 Agriculture Bureaus**

Based on the experience in developing agricultural cooperatives, the agricultural bureaus mainly put forward the following opinions and suggestions on the development of forest farmer cooperatives:

(1) **Research and analysis on forest farmer cooperatives should be enhanced and special forestry policies and measures should be developed.** The agricultural sector has a special system to manage and guide the development and management of agricultural cooperatives. It was the agricultural sector who drafted the law on specialized cooperatives. Different from agriculture, forestry is a long-term management process and the existence of forest farmer cooperatives is worth study. Regulations on forest farmer cooperatives should be formulated according to the characteristics of forestry administration and special approaches should be adopted



against the complex situation of forestry administration after the mountains are contracted to households.

(2) **The naming of forest farmer cooperatives should be flexible.** They should not be only named as cooperatives but with various titles and the cooperation with enterprises can be considered. As stipulated in the law on cooperatives, cooperatives with a membership of less than 20 persons can have an enterprise, a public institution or a social group member; when the membership involves more than 20 persons, such members cannot exceed 5% of the total membership. The mode of “company plus cooperative plus farmers” ensures the feasibility to set up a company on the foundation of the cooperative.

(3) **Privileges offered to forest farmer cooperatives should be well cognized.** Cooperatives which have been operating for more than two years can enjoy the preferential policies. To be granted with support, they need to be reviewed by related experts to see whether they have got all needed licenses or permits and should be reported by related media and have certain development potentials.

(4) **Financial management of cooperatives and village authorities should be well solved.** The agricultural bureau is responsible for the supervision of the village-level accounts. Usually the villages have two accounts in order to avoid the use of financing for forest uses for other expenses, but the two accounts will cause confusions. The village authorities can only set up one account from 2003 and any additional account is prohibited. Such village accounts have begun to be supervised by the city government since 2006 and any subject needed to be separately verified and audited should be substantive. The Shareholder Cooperative Forest Farm of Mayang Village still shares one account with the village authorities in the old way of administration.

### **5.4.3 Civil Administration**

The Civil Administration considered the cooperatives as an exotic product and insists that the forest farmer cooperatives should be set up in line with the actual needs to increase forest farmers' incomes.

#### **5.4.4 Taxation Bureau**

The Taxation Bureau pointed out the rigidity of the policies and stated that there was no specific and detailed implementation regulation or approach, so it can do nothing. Such as the issue of income taxes proposed by the forestry sector, under the current national policies, the taxation bureau has to execute the current national policies.

### **6. Analysis of Problems**

#### **6.1 Experience and Lessons**

##### **6.1.1 Experience**

Based on the comparisons of different cooperatives and combining the evolutions of the investigated cooperatives, the following experience gained from their development are summed up:

##### **(1) Clearly Identified Right to Benefits**

The identification of right to benefits is the foundation. The clearly identified right to benefits is not only one of the incentives for the forest farmer cooperatives to actively extend forest management, but also a basic condition to successfully set up the cooperatives. In particular, the profit-distribution mechanisms of the cooperatives based on the right to profits is the essential guarantee for the cooperatives to operate smoothly. Thanks to the implementation of the policy on securing farmers' possession of the mountains, all residents in the Shanlian Village were willing to become the shareholders with enthusiasms since the Luyuan Oldhami Bamboo Cooperative was established. After its establishment, all villagers willing to join it could become the members and their benefits were identified and secured by issuing shareholding certificates. So it has both reflected the principles of "even mountains, even rights and even benefits" of the reform and taken care of the disadvantaged groups including the elderly, the disabled, the feeble, the diseased and so on. Besides, it has also avoided the phenomena of the collective forests being bought over by large shareholders after

the mountains were contracted to households.

## **(2) Participation of All Members**

The entire membership participation or their active participation in the establishment to the forest management of the forest farmer cooperatives significantly ensures and reflects the idea of “being operated and administrated by farmers”. The Trustee Cooperative Forestation Group of Jiashang Village circulates the management right of the cut-over slash areas with a forest management company under the Forestry Bureau of Shaowu City and requests the latter to invest inputs in the forestation. The entire membership participation during the circulation has been guaranteed and every member has signed a contract with the company to define their rights and obligations.

## **(3) Appropriate Support in the Early Initiation Stage of Forest Farmer Cooperatives by Relevant Departments**

Appropriate support is an important exterior force for them. In the initial stage of such cooperatives, it needs relevant departments to provide certain support especially the funding for initiation which is absolutely necessary and then they can have them run automatically when their operation is set onto the right path. During the development of the Bamboo Association of Erdu Village, related departments provided substantial support in the initial stage, including funding for initiation, providing training and education on mountain bamboo management techniques and so on. Although farmers have large-scale bamboo management and a number of market demands for products, this is still indispensable for those farmers with weak economic basis and organizing capacity.

## **(4) Development of Detailed Implementation Plans and Specific Measures for the Organizational Setup of Forest Farmer Cooperatives**

Before the establishment of the cooperatives, it is crucial to determine specific implementation plans and measures. The family cooperative forest farm of Jiashang Village developed its implementation plan and specific measures for its constitution under the forestry department and through the involvement of various key

stakeholders. First of all, the organizational setup includes both the forest farm and the forest appraisal organ, of which the latter is the key and it will be composed of villager representatives, village forest rangers, technicians of forestry stations, and anyone involved in the forest tenure. It will appraise the mountain forests under the shareholding and convert them from prices into shares. Secondly, the specific management and administration will include the personnel management and the administrations of production operations and management costs. Thirdly, it involves the management of loans at the deposits of forest tenure and the management of profit distribution. Fourthly, concrete measures to formulate regulations have been stipulated.

#### **(5) Selection of Forest Farmer Cooperatives of Different Types in Light of the Actual Situation**

It is fundamental for a forest farmer cooperative to successfully establish, operate and develop to choose different types according to the actual state of forests in their localities respectively. For example, when there are cut-over slash areas, the per capita area of contracted mountains is very limited and the farmers are unwilling to plant forests or have difficulties in planting forests, a trustee cooperative forestation group can be chosen to entrust a forest management company to the forestation and the group members share the profits other than dividing the mountains. For the mountains contracted to households, in order to achieve the scale management, a family cooperative forest farm can be chosen and the farmers can be united with their contracted forests to be converted into shares, such as the family cooperative forest farm of Jiashang Village. For those at large scale and expensive costs in contracting mountains, a shareholder cooperative forest farm will work and the farmers can hold equal shares and equal bonuses. It is also a feasible option to share profits without dividing mountains, such as the shareholder cooperative forest farm of Mayang Village. Where specialized technology is required, a specialized forestry association can be set up to provide professional services for the forest management, e.g. the Bamboo Association of Erdu Village provides bamboo management and protection,

training and education, irrigation system, forest road repairs, marketing of bamboo products and other services for farmers.

### **6.1.2 Lessons**

Based on the analysis of the 7 investigated cooperatives and combining the opinions collected from all stakeholders through workshops at village and county levels, the following lessons should be learnt for the development of forest farmer cooperatives:

#### **(1) Without the clear market status, their development will be restricted.**

The survey found that the administrative organs of some cooperatives were dependent upon the village neighbourhood committees. Leaders of the committees concurrently work for the leaderships of the forest farms. There is no independent and transparent financial system and steering committee system and no clear determination of obligations and benefits. They depend on the committees in solving risks, thus lack market competitive strengths and can even become neglected.

#### **(2) The loose cooperation blocks the development of forest farmer cooperatives.**

The disconnected administration leads to the unshared risks. During the establishment and operation of the cooperatives, the two camps respectively of common members and successful people or large shareholders are formed. Basically, the large shareholders shoulder all risks of the cooperative. The members only share the benefits but not the risks. In this way appears two problems, one is the enthusiasm of members in participating in the management undoubtedly will be depressed because the common members only share the benefits but shoulder no risk; the other is the cooperative may be controlled by several members if the risks are only shouldered by them and they pay more attention to their own benefits.

#### **(3) Forest farmer cooperatives aiming at obtaining policy supports are not well developed.**

Some cooperatives were originally established to enjoy the preferential policies. However, the management and operation of a cooperative cannot depend on such

policies too much. Its development is essentially dependent on the improvement of its management. Cooperatives viewing the lack of preferential policies as the major restricting factor for their development definitely will not be continuously developed.

**(4) The cooperatives will lack motivation to develop themselves if the democratic participation of their members cannot be mobilized.**

The democratic management is both the basic principle for the cooperatives and the precondition to guarantee the cooperatives are established and administrated by farmers and beneficial for farmers. However, the actual operations show that the supreme decision making is usually done by the village neighborhood committee or very few people. The membership assembly is merely a gesture and the steering committee cannot practically realize its function of supervision. As a result, it requires future efforts to study how to improve the democratic management mechanism, virtually involve forest farmer into various activities of forest farms and set up mechanisms of democratic management and decision making.

**(5) The inappropriate awareness of the role of related departments in the development of forest farmer cooperatives will lead to serious dependence upon the departments.**

Departments do play a significant role during the establishment and development of such cooperatives, but they should provide guidance other than going beyond their own duties. The mode to accelerate the establishment and development of the Bamboo Association of Erdu Village should not be encouraged, for related departments should not take over the duties but should provide guidance. This has caused the serious dependence upon the departments by the association at present and the deviation of farmers' awareness of the association, and it tends to depart from the development direction for a virtually specialized association and will block the management of bamboo forests in the future.

## **6.2 Incentives and Challenges to Forest Management of the Cooperatives**

### **6.2.1 Incentives**

**(1) Labour force.** Being mass-based, the forest farmer cooperatives can gather

the labour force resources. The survey showed that most of young labour force of Youxi and Shaowu has gone outside the localities to earn money, so the remaining labor force in the village is the best choice for the alliance or cooperative management.

**(2) Incomes.** The market is a huge incentive factor. The market has enormous demand for forest products and continuously increases their prices, which has improved the enthusiasm in forest management to a great extent. Enjoying cost advantages, the uniform forest management by such cooperatives can help smallholders obtain the say in market competition and improve the incomes of forest farmers. The clear definition of property rights, especially the identification of the internal right to benefits within the cooperatives, has significantly enhanced the forest farmers' enthusiasm in managing hilly forests. As the deepening of the reform, the farmers' enthusiasm in managing forests is increasingly enhanced.

**(3) Policy support.** China attaches great importance to forest management and tending currently and allowance pilot sites have been determined. The country pays much attention to the development of forest industry and proposes to establish a self-contained socialized forest service system. It aims at promoting specialized farmer cooperatives, family cooperative forest farms, shareholder forest farms and other forest farmer cooperatives. It also supports specialized forest farmer cooperatives to implement projects on forest development and economic development of mountainous regions, encourages the development of specialized forestry associations of various types and guides and regulates the sound development of forest agencies of all types. This plays a role in promoting the forest management by forest farmer cooperatives.

**(4) Ecological protection.** The forest management by such cooperatives will facilitate the implementation of forestry administration policies of forest stations and the establishment of a new equal, fair and transparent forest management system. It will also help to fulfil the national cutting quota policies and protect and monitor the forest ecological environment.

### 6.2.2 Challenges

**(1) Forest farmer cooperatives are not good at management and cannot manage forests well.** The long cycle of forest management results in the lack of virtual management practices over the long term by the cooperatives and leads to the loose organization. Both forest management capital and technology are inadequate, which have deterred the development of forest management practices to some extent. Such as the backward construction of forest roads in Erdu Village, it is directly due to the poor management of the bamboo association, which has not only failed in effectively motivating the stakeholders, but also increased the costs for forest management practices and become the burden of related departments.

**(2) Policies do not provide enough support for the cooperatives to manage forests.** Related policies have not been completely launched or specified and some cooperatives have difficulties in their continuous evolution or vitality, which certainly will affect their own development and block the implementation of forest management activities to a certain degree.

## 6.3 Policy and Institutional Supports

### 6.3.1 Inadequate Supports

A series of official documents by both the central government and the provincial government of Fujian have stressed to increase support for the specialized economic cooperatives of farmers, but the support is still insufficient to meet the needs to develop the forest farmer cooperatives. In particular, there are very few specific and practically feasible supportive policies at city and county levels. Moreover, the difficult coordination among various departments also blocks the development of specialized forest farmer cooperatives.

The inadequate financial support also blocks the financing channels of the cooperatives. Most of the forest farmer cooperatives are still in their start up stage at present and they still have a large demand for funds despite some village neighbourhood committees have provided funding for their initiation. However, the



special supportive funds from all levels are still unsatisfactory and they are managed by different departments and hard to form a synergetic force, so the bad turnovers are inevitable when the cooperative is operated merely dependent on the loans of shareholders and the complicated formalities to get loans from the regular financial institutions like credit cooperatives plus the limited amount of loans are far from satisfying the needs of the cooperatives. For example, many farmers of the Bamboo Association of Erdu Village complained about the difficulties in getting forest tenure loans. Especially for the group forest tenure certificates, this requires the signatures of all farmers involved in the group certificates to get loans. However, the wealth gap between the farmers will result in the different willingness in signing, so it will affect the investments in forest management by a few individual farmers in need of loans. Meanwhile, the common complaints about the limited amount of small loans and complicated formalities have again restricted the investments in the bamboo management by the association.

In addition, issues of operation capital or follow-up capital are also a headache. For example, the Luyuan Forest Cooperative of Shanlian Village is faced with the insufficient invested capital in the forestry production by its members and thus many follow-up production practices cannot be implemented.

### **6.3.2 Deficiencies of Legislation**

China has issued the Law on Farmer Cooperatives which has identified the principal status of farmer cooperatives in the market for the first time. It made breakthroughs to fill the gaps in the legislation about the rural economic cooperatives by stating provisions in seven aspects, i.e. the establishment and grading, membership, organizational setup, financial management, merging, division, dissolution and liquidation, supportive policies and legal liabilities. However, the law is a divided legislation and it is targeted at the specialized farmer cooperatives for the adjustment, i.e. “a mutual-help economic organization of the producers and managers of the same agricultural products or the suppliers and users of the same agricultural production and management services and with voluntary unity and democratic administration

based on the family contracting management in the rural areas”, excluding industrial associations, service associations and other loose-tied economic cooperative organizations. Besides, many chapters of the law such as on the supportive policies and legal liabilities are very general and just provide a direction. Different localities need to issue specific regulations for the implementation during the application practices. The law specifically states that “the people’s governments above county level should organize agriculture administrative departments and other related departments and organizations to provide guidance, support and services for the development of specialized farmer cooperatives in line with the law and based on their respective responsibilities”.

### **6.3.3 Lack of Management and Guidance to the Cooperatives**

Services provided by the cooperatives are open to the public and they are not that exclusive, so some non-member farmers can also get a free ride to enjoy the profits gained by the cooperatives without joining them. Without the public policy guidance, it is very difficult for such cooperatives to develop healthily. However, there is inadequate business guidance for such cooperatives, farmers are not well aware of the cooperatives’ business and they are not that active actually.

## **6.4 Information Access and Services**

### **6.4.1 Demands of Information by Forest Farmer Cooperatives**

Information plays a crucial role in the cooperatives’ management. Only with appropriate and effective information can the cooperatives correctly analyze the situation and make management and administration decisions. The survey found that the following information is needed by the cooperatives:

(1) **Market information.** Oriented on the market demands, the cooperatives and forest farms have to pay attention to the demanding volumes, the market price changes, and the market trends and then work out their own product management strategies and forest management measures.

**(2) Policy information.** All forest farmer cooperatives pay attention to the changes of forestry policies and the collective forest tenure reform and need related national financial, insurance and policy information.

**(3) Technical information.** Such cooperatives need technical supports, new species and techniques and technical services. But some cooperatives have fewer needs of technical information because they lack practical business operations.

#### **6.4.2 Information Accesses for Forest Farmer Cooperatives**

Such cooperatives have their own office facilities and their leaders and members have information exchange equipment like telephone, TV, computer with Internet service, magazines, newspapers and government documents which are the major media to obtain information. Meanwhile, oral communication is also an important channel for policy information and market information.

#### **6.4.3 Information Service and Validity**

The cooperatives have the obligation to provide information service for their members. However, thanks to the improved market information communication, with low costs of information exchange, there is a socialized service system in the production and marketing of forest products and the forest farmers do not rely on the cooperatives to get access to information. The cooperatives' role in communicating market information is undermined, but the correct information is of significant importance for the forest farmers in isolated marginal mountainous areas. As a result, nowadays the cooperatives should not only simply communicate the information but what's more important, they should analyze the existing data and make forecasts based on such data, so as to provide efficient guidance on the production management behaviours of the forest farmers.

### **6.5 Other Challenges**

#### **6.5.1 Transfer of Labour Force**

The survey in 4 project villages found that generally the young labour force had gone to urban areas to earn money and the heavy intensity in forestry work and poor

working conditions discourage the young labour force. The insufficient rural labour force for forestry production leads to the increase of labour price. Some farmer families even move to live in cities and their contracted forest lands are desolated. The transfer of rural labour force to cities makes it necessary to establish forest farmer cooperatives. Related policies on the transfer of rural labour force have determined the management of the cooperatives to some degree. Farmers will only entrust the management of their forest lands to the cooperatives when they think it is not economical to manage the forests themselves and they are not dependent on the forest lands. Those forest farmers able to manage forests on their own will choose to join those cooperatives linked by products. If the government controls the access of rural labour force into cities with more serious conditions, a large number of farmers will come back to the rural areas, which will increase the labour force for forestry as well as the forest product supplies. Moreover, the development of those product-based cooperatives will be promoted and in return the cooperatives based on forest management and protection will continuously evolve.

### **6.5.2 Village Finance**

In order to secure their financial strengths, some villages have not contracted the forest lands to farmers, instead, they distributed part of the rights to benefits to farmers in the form of so-called shareholdings in the name of forest farmer cooperatives, which are actually tools to secure the village finance. It disobeys both the original intention of the central government and farmers' desires. Forest farmers are forced to accept such cooperation which is inappropriate. For example, the collective forest tenure reform in Shanlian Village has not realized the clear definition of contracted forest tenures to households in the true sense and it implements the strategy of allotting shares other than mountains or forests, which has hindered the cooperative to fulfilling the industrial and commercial registration. Although it is named as a cooperative, in fact it is not equipped with the characteristics and conditions to be a real cooperative. It is a kind of factionalism to keep the whole rights to benefits of the forest lands from forest farmers in order to secure the village

finance.

### **6.5.3 Finance of Forest Farmer Cooperatives**

Being a civil organization, the cooperative's finance should be supervised by the whole membership. However, the poor supervision mechanism, the over intervention of governments (including village neighbourhood committees), weak democratic and senses of forest farmers as well as the unstandardized financial systems deter the sustainable development of the forest farmer cooperatives.

### **6.5.4 Large Contracting Households**

Large contracting households are a common issue in the collective forest areas, some of which have clearly defined the property rights for large households. The uneven distribution of means of production is an accomplished fact. Large households contract forests and lands for economic benefits and the joint contracting by several large households is also for the same reason. The cooperation among large households is mainly the collaboration with products and some cooperate to gain the policy supports. The cooperation of large households can attract some small households, but they have nearly no say in the decision making in the cooperatives. Supports for such cooperatives will directly go to the large households and the increase of economic benefits of middle and small households become the "by-product". Considering the stability and democracy in rural areas, the pros and cons of such large household cooperative organizations should be thoroughly studied, such as the Family Cooperative Forest Farm of Jiashang Village is a joint cooperative of 10 large households and no issues related to other households have been considered.

## **7. Suggestions on Development of Forest Farmer Cooperatives**

### **7.1 Policy Suggestions**

#### **7.1.1 Establishment of Financial Supportive System**

It is suggested that a special fund should be allocated from the finance of provincial finance to authentically support the forest farmer cooperatives and protect the forest farmers' benefits. It is also suggested that the finance at various levels

should allocate special funding annually to enhance the financial support for the expansion of forestation and reproduction, the introduction of advanced silvicultural technology, the widening of marketing channels of forest products, subsidies for extending forest science and technology, building quality safety system of forest products, buying forest machinery, introducing technology and increased training for personnel.

### **7.1.2 Identification of Preferential Taxation Policies**

Currently, there are only a small number of small scale forest farmer cooperatives in Fujian, most of which are still in the initial stage for their development, so the government should legally identify the preferential taxation policies for the forest farmer cooperatives. Firstly, the income taxes should be exempted. The individual income taxes of dividends and bonuses of cooperative members should be exempted. Secondly, the business taxes should be exempted. Business taxes and income taxes of the cooperatives that produce and sell their own products should be exempted or charged at a low rate. Finally, the value-added taxes should be exempted. Tariffs and value-added taxes of imports should be exempted for the imported equipment and technology needed by the cooperatives. The taxation department should view the forest products sold by forest farms as the products produced and sold by farmers themselves and exempt the value-added taxes according to related regulations.

### **7.1.3 Enhancement of Supportive Credit Loans**

The financial departments and credit cooperatives should enlarge the support with loans, loosen the conditions to get small loans and discount interest loans to an appropriate extent and increase the sum of loans to support their production, operation and service. Agricultural banks or credit cooperatives at all levels should be guided to provide needed loans for the production and management of the cooperatives and necessary supports for them to enlarge the production scale and increase investments in equipment and facilities. Rural credit cooperatives should be encouraged to choose those forest farmer cooperatives with self-contained systems and good business performance to set up a reputation guarantee system of floating capital loans and

expand the scope of customers' reputation guarantee and the increase the sum of loans. For example, small loans and co-guarantee loans should be provided for forest farmer cooperatives, a mechanism of credit loans with deposits and guarantees in line with the characteristics of the cooperatives should be established, attempts should be made to adopt the mode of financing for forest farmers to get loans with deposit of forest tenures, a risk salvation mechanism for such cooperatives should be set up and the insurance companies should be encouraged to provide insurance services for them.

#### **7.1.4 Improvement of Information Technology Service and Standardization of Specialized Forestry Cooperatives**

The government should update the information and technical services provided for forest farmer cooperatives, assist the cooperatives on urgently needed technology by assigning special scientific agents and improve their scientific and specialized production and management. Meanwhile, through developing the demonstrations of standardized specialized forestry cooperatives, the government may encourage the cooperatives to apply to be the green production bases, register the trademarks of green products and go through the food certification, so as to guide them to build up their own brands and improve their competitive strengths and standardized production.

#### **7.1.5 Implementation of Positive Policies to Support the Industry**

While developing and implementing the forest industry policies, the government can slant the relevant policies to favour the forest farmer cooperatives, i.e. it can choose the cooperatives with priority to be the implementers of the ecological improvement projects, forest science extension, development of quality safety system of forest products, etc.

#### **7.1.6 Increases of Theoretical and Policy Studies of Forest Farmer Cooperatives**

Against the differences between forestry and agriculture, forestry and agricultural cooperatives and the diversified demands of forest farmers, based on their free choices, theoretical studies on forest farmer cooperatives should be developed and enhanced to

provide the theoretical basis and justification for the policy development and implementation. To study on the corresponding state of forests and people of various types of forest farmer cooperatives is in accordance with the requirements to save forest farmers' management costs and increase their incomes. In particular, we should find out which kind of forest farmer cooperatives is more suitable for those areas without any cooperatives oriented on forest management. Meanwhile, the principles of “acceleration, standardization and development” should be upheld at the same time. When paying attention to the quantity, the quality should be attached equal importance.

## **7.2 Legislative Suggestions**

### **7.2.1 Identification of the Development Mode and Legal Status of Forest Farmer Cooperatives**

China has issued the Law on Farmer Cooperatives which has identified the principal status of farmer cooperatives in the market for the first time, but it is targeting at the specialized farmer cooperatives, excluding industrial associations, service associations and other loose-tied economic cooperative organizations. To meet the needs of the rapid development of various forest farmer cooperatives in Fujian, it is suggested the province should attach clear identity and corresponding legal status for such cooperatives including cooperatives, family cooperative forest farms, shareholder forest farms and associations. Besides, it should also clearly stipulate the legal status, relationships with governments at all levels and major business scopes of such cooperatives.

### **7.2.2 Development of the Detailed Regulations on Forest Farmer Cooperatives**

China has issued the Law on Farmer Cooperatives, but many chapters such as on the supportive policies and legal liabilities are very general and just provide a direction. Different localities need to issue specific regulations for the implementation during the application practices. The law specifically states that “the people's governments above county level should organize agriculture administrative departments and other related departments and organizations to provide guidance,



support and services for the development of specialized farmer cooperatives in line with the law and based on their respective responsibilities”. However, at present, the local departments still lack specific and detailed policy guidance during the implementation, which blocks the forest farmer cooperatives and forest farmers from enjoying the supportive policies although they have heard about such policies. It is suggested that Fujian Province should formulate the Detailed Regulations on Forest Farmer Cooperatives for their further development.

### **7.2.3 Development of Regulations on Managing Shareholder Cooperative Forest Farms**

As a joint stock, the shareholder cooperative forest farms work as enterprises. Considering the complexity of the interior property rights and systems within the joint stocks, special management regulations should be studied and formulated for the development of standardized shareholder forest farms. It is suggested the Regulations on Managing Shareholder Cooperative Forest Farms should be formulated to determine the shareholder congress to be the supreme authorities of the shareholder forest farms, which can in return develop a series of management regulations and statues to define the responsibilities, rights and benefits of shareholders, the shareholder congress and the congress president as well as relevant management and financial management systems.

## **7.3 Institutional Suggestions**

### **7.3.1 Establishment of Special Organs to Administrates the Forest Farmer Cooperatives**

The government should set up a special administrative organ to manage the forest farmer cooperatives and the relationship between development and regulation as well. It should take advantage of the real picture to boost the development of such cooperatives step by step. The government should provide appropriate intervention and guidance on institutions, service systems and distributing mechanisms, e.g. it should regulate the democratic management system and stipulate to do business strictly in line with stated regulations, so as to safeguard the members’ rights and

benefits at maximum and prevent the alienation of property rights such as too many shares held by several members.

### **7.3.2 Enhancement of Capacity Building e.g. Training**

A wide range of extensive communications in various forms on the functions and related laws, regulations and policies of forest farmer cooperatives should be developed by village neighbourhood committees and the cooperatives themselves to encourage wider villager support of the cooperatives in the future. The township-level forest stations and county-level forestry bureaus should enhance the training for forest farmers on related knowledge, know-how and technology and develop a complete training system, an agricultural technology extension system and an information dissemination system to help forest farmers master more knowledge and skills, improve their quality and become the real owners of the forest farms. Aiming at the successful peoples in villages of towns and townships, counties and cities, training to develop management capacity should be provided for the leaderships and representatives of forest farmer cooperatives, who will be trained to be the leaders for the development of cooperatives.

### **7.3.3 Improvement of Democratic Supervision and Administration**

Being the basic principle of the cooperatives, the democratic administration is the premise to ensure the cooperatives are initiated and managed by farmers and benefit them. However, in the current real picture, the final decision-making is determined by few persons, the general assembly is in danger of being formalized and the steering committee cannot really play their role in supervision. As a result, it requires the government to improve the mechanism for democratic administration to really involve forest farmers into various activities of the forest farms, and set up the democratic decision-making system.

### **7.3.4 Improvement of Set-up Mechanism and Enhancement of Registrations in Industrial and Commercial Department and Taxation Department**

Government should provide guidance and support for the establishment of forest

farmer cooperatives other than direct participation. The cooperatives themselves should register in industrial and commercial departments to obtain a clear legal status and market status. Regarding the registrations in industrial and commercial department and taxation department, the industrial and commercial department should exert its functions in market access, trademark management, and contract supervision and other related aspects. Against the emerging issues in the collective forest tenure reform, the simplification of registration procedures and the debasement of access conditions should be explored for the timely registration of cooperatives to define their legal status. The taxation departments at town/township level should study and practically understand related national laws, regulations and policies. The governmental departments should coordinate with taxation departments to reduce or exempt the income taxes to be paid by the forest cooperative enterprises organized after the forest tenure reform to favour the forest farmers as much as possible and virtually benefit them with the reform.

#### **7.3.5 Improvement of Profit Distribution**

The core is to design a fair, transparent and reasonable profit-distributing mechanism to attract farmers to be cooperative members or to quit the cooperatives at their own will. Meanwhile, appropriate incentives should be given to the leadership of forest farmer cooperatives to ensure the healthy and sustainable development of such cooperatives. The profit-contributing mechanism should be further improved by transiting from the current bonus distribution based on shares to bonus distribution based on deals, so as to secure the benefits of the future members. The cooperatives are encouraged to implement the return of profits.

## **List of the Project Publications**

### **GCP/CPR/038/EC Working Paper**

<b>No.</b>	<b>Title</b>
<b>WP001C</b>	安徽省林农合作组织研究报告
<b>WP002C</b>	福建省林农合作组织研究报告
<b>WP003C</b>	贵州省林农合作组织研究报告
<b>WP004C</b>	湖南省林农合作组织研究报告
<b>WP005C</b>	江西省林农合作组织研究报告
<b>WP006C</b>	浙江省林农合作组织研究报告
<b>WP007E</b>	<b>Assessment of Forest Farmer Cooperatives in Anhui Province</b>
<b>WP008E</b>	<b>Assessment of Forest Farmer Cooperatives in Fujian Province</b>
<b>WP009E</b>	<b>Assessment of Forest Farmer Cooperatives in Guizhou Province</b>
<b>WP010E</b>	<b>Assessment of Forest Farmer Cooperatives in Hunan Province</b>
<b>WP011E</b>	<b>Assessment of Forest Farmer Cooperatives in Jiangxi Province</b>
<b>WP012E</b>	<b>Assessment of Forest Farmer Cooperatives in Zhejiang Province</b>



The project “Supporting policy, legal and institutional frameworks for the reform of forest tenure in China’s collective forests and promoting knowledge exchange” supports the reform of forest tenure in China’s collective forests through strengthening policies, laws and institutions responsible for the management of collective forests in six pilot provinces. Funded by the European Union (EU) and implemented by the State Forestry Administration of China (SFA) and the United Nations Food and Agriculture Organization (FAO), the project will also promote the exchange of knowledge and experiences on forest tenure reform both within China and with other countries.

Website: <http://www.fao.org/forestry/tenure/china-reform/en/>