



Testing Research Report
on Forest Farmer Cooperatives in Longquan, Zhejiang, China
for the Forest Connect Toolkit, Guidance Module 14



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FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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Acronyms and Abbreviations

| | |
|--------|---|
| CAF: | Chinese Academy of Forestry |
| EU: | European Union |
| FAO: | The Food and Agriculture Organization of the United Nations |
| FC: | Farm Cooperative |
| FFC: | Forest Farm Cooperative |
| IIED: | International Institute for Environment and Development |
| NFP: | National Forest Programme |
| QS: | Quality Standard (certification) |
| RIFPI: | Research Institute of Forestry Policy and Information |
| RMB: | Renminbin |
| SME: | Small and medium enterprise |
| SMFE: | Small and medium forest enterprise |

1 Background

In developing countries, support structures for forest associations either do not exist or fail to reach those who need help most. It is this lack of “connectedness” that the “Forest Connect” initiative (coordinated jointly by FAO and IIED in 13 partner countries) addresses. More specifically, Forest Connect aims to better link sustainable small forest enterprises to each other (through associations), to markets, to service providers and to policy dialogues.

One of the early outputs of Forest Connect has been a draft Forest Connect Toolkit, comprised of 16 guidance modules for the facilitation of support to small and medium forest enterprises. The Toolkit was compiled by IIED, in cooperation with FAO, national country partners, NFP Facility coaches and a broad array of experts. During the second year of Forest Connect, the modules’ content was tested and enriched with the results of practical application in Forest Connect countries (action learning) and by capturing country specific examples.

The third year of Forest Connect in China has been dedicated to field-testing Module 14 of the Toolkit, “Strengthening community enterprise governance and structures” in two Forest Farmer Cooperatives (FFC) in Zhejiang province.

Module 14 aims to help facilitators enhance the social sustainability of community forest enterprise producers. It provides guidance on identifying appropriate institutional and governance structures for community forest enterprise organizations and on strengthening performance with regards to using a triple bottom line approach of economic viability, social equity and ecological sustainability.

In order to test the applicability of Module 14 in China and to contribute to the enrichment of the overall FC Toolkit, two Forest Farmer Cooperatives in Longquan, Zhejiang Province were selected. The first is focused on bamboo shoot production and is one of four FFCs located in Zhejiang province participating as a pilot FFC in the China Forest Tenure Project supported by the EU-funded FAO project entitled “Supporting policy, legal and institutional frameworks for the reform of forest tenure in China’s collective forests and promoting knowledge exchange”¹. The second FFC is focused on tea processing and was identified as

¹ GCP/CPR/038/EC Working Paper: WP-012-E

<http://www.fao.org/docrep/013/am005e/am005e00.pdf>

a result of a recommendation from the local forest bureau.

Zhejiang, located along the south flank of the Yangtze River Delta in the coastal region of southeast China, is one of the smallest provinces in that region of China. Mountains and hills represent more than 70% of the total provincial land area. Zhejiang is composed of 70% hilly area, 20% water bodies and 10% of farmland. In Zhejiang, forests covers 6.6074 million ha (60.58% of the land area) and collective forestland accounts for 95% of the total forestland. Zhejiang is a big and strong province within the forest sector, with forest sector outputs ranking amongst the highest in China for many years.



As a pioneer of China's collective forest tenure reform process and forest farmer cooperatives development, Zhejiang, in 2004, released the *Farmer Cooperative Regulation in Zhejiang*, the first regulation dealing with cooperatives in China. By the end of 2007, there were 836 forest farmer cooperatives in Zhejiang (FAO, 2010). These cooperatives have played a significant role in organizing farmers, disseminating information and technology and increasing forest farmers' income. The Farmer Cooperatives Union, including more than 10 thousand cooperatives, was founded in 2009 with the aim of improving communication and coordination among cooperatives, providing technology and information services, and promoting industrial integration.

Longquan is a city situated in the southwestern part of Zhejiang Province. The forest stock volume there amounts to 10.18 million m³ and the forest coverage is 78.4%, ranking first in Zhejiang and acclaimed as the 'Forest Sea of Zhejiang'. Timber has been the major financial

resource in Longquan, however policies like the harvesting quota, have presented great challenges for Longquan. Taking the collective forest tenure reform as a turning point, Longquan made prominent achievements towards exploring and promoting cooperatives development, maintaining local economic development and facilitating sustainable utilization of forest resources. For this reason, Xiaozhuang Bamboo Shoot Cooperative and Jinfa Tea Cooperative from Longquan were chosen for the testing research for the draft Module # 14.

2 The Xiaozhuang Bamboo Shoot Cooperative

2.1 The story of the Xiaozhuang Bamboo Shoot Cooperative

Located in the northwestern part of Longquan County, Xiaozhuang Village is 32 km from Jinxi Township, 16 km from Longquan County and 9 km from the main road connecting to the rest of the country. Xiaozhuang Village has 133 households and a total population of 494. The cropland area is 34.87 ha and forestland area is 975.47 ha. Net income per capita for farmers in 2008 was 5440 RMB. The main economic activities include bamboo and edible mushroom harvesting.

The Xiaozhuang Bamboo Shoot Cooperative is in the Xiaozhuang Village. It was founded in 2007 by the manager of the Xiaozhuang Food Processing Factory. Within the cooperative, there are two types of members. Funding members are the members who have invested monetary in the cooperative. Non-funding members generally do not invest money in the cooperative, and are often farmers who participate in the cooperative in order to connect with other farmers or enterprises to sell products. Initially, there were 5 funding members, a total amount of registered funds equaling 70 000 Yuan and 72 non-funding members. By 2009, the cooperative had grown to include 132 members, with 5 members acting as the funding members and the other 127 members participating as non-funding members. The total registered funds equaled 100 000 Yuan, 30 000 Yuan of which was converted from the appraisal values of farmers' contractual land management rights. The number of households operating enterprises expanded dramatically as a result of the FFC, growing from 132 in 2007 to 2100 in 2009. The FFC adopted a brand, an important tool for marketing and consumer recognition. This brand is known as the “Xiao Zhuang” brand, a now famous brand in the Lishui municipality.

The registered assets of the Xiaozhuang FFC in 2009 were 1 million RMB, an amount wholly

funded by investments from 5 council members. Each funding member invested 20% in a combination of capital and in forestry property rights values (a sort of ‘mortgage’ arrangement with the bank). Despite the large number of members, the ideas and opinions of the funding members tend to carry more weight within the FFC; whereas non-funding members generally feel their ideas and opinions tend to go unheard (just 8% of members consider that the individual idea has a big influence within the FFC). The FFC has established a formal Council Member Committee. It includes a Council President who acts as the legal representative of the FFC. The Council also has two supervisors who constitute the Board of Supervisors of the FFC, and who represent all of the members. The Council’s role is to handle and solve problems of the FFC and to supervise the work of the Council and working staff. The Council Member Committee is the highest authority within the FFC.

The main function of the Xiaozhuang FFC is to purchase bamboo shoots, fruits, vegetables and edible mushrooms from members to process, store, transport and sell. Every year, the Xiaozhuang FFC cooperates with technical staff from the forest station to organize technical training for member households. This includes training in bamboo forest fertilization, covering of bamboo shoots, maintaining the necessary humidity of dried bamboo shoots and other related areas. The Xiaozhuang FFC signs purchasing agreements with members and sets quality requirements for white bamboo shoots, dried bamboo shoot tails and fresh bamboo shoots, requiring the quality of bamboo shoots to meet the national standard and the quality of dried arbutus to meet specific enterprise standards.

The development of FFCs has served to not only increase the income of farmer households and provide employment opportunities, but has also encouraged the cooperative management and development of core skills, such as marketing and financial management.

When it was established, the Xiaozhuang Bamboo Shoot Cooperative had as one of its aims to gain access to government subsidies for provision of materials like bamboo shoots, so as to promote the development of the Xiaozhuang Food Factory.

Due to the brief amount of time that has passed since its founding, the Xiaozhuang FFC management staff remains unclear about internal management mechanisms of the FFC and management quality is not high. This has resulted in unregulated internal management mechanisms within the FFC.

The cooperative has maintained a loose relation with its members, and members enjoy the right to sell their material to the cooperative or to other buyers. However, one point that should be illustrated is that when the price offered by the cooperative is higher than the market price, the cooperative will buy the raw materials from its members, as long as their raw materials meet the quality requirements. The villagers from other villages who are not members of the cooperative do not enjoy this treatment.

In terms of organizational structure, the Xiaozhuang Bamboo Shoot Cooperative essentially operates on the basis of the Xiaozhuang Food Factory despite having its own defined management and organizational charters. In other words, the cooperative does not, in reality, have an independent organizational structure.

On the grounds of cooperative rules, three-fifths (60%) of surplus should be allocated to members according to their quantity of business done with the cooperative, but this kind of surplus has been returned to non-funding members only by way of purchasing price. In another words, except for technology training and government support, direct financial benefits for non-funding members have been very limited.

The cooperative managers and members participating in the testing research have a minimal level of educational background. Among 12 participants, 2 went to high school, 2 no further than middle school and the remaining 8 did not progress beyond elementary school. Their relatively low educational backgrounds likely somewhat influenced their understanding of the questions proposed.

In this case study, forest certification and insurance was not used. As a necessary part of running a cooperative, management regulations were developed covering all areas including cooperative establishment, funding, financial management, etc.

2.2 The perceived impact of the Xiaozhuang Bamboo Shoot Cooperative on its members

In this exercise, testing was conducted to discover how cooperative members' awareness of forest tenure and forest protection has changed, and what changes have taken place with regards to forestry-related income versus farm-related income. Every participant received 10 paper clips, which represented the levels of change increasing from 1 to 10. In order to

compare the results from different groups, paper clips of different colors were used. Gold paper clips were given out to managers, silver paper clips to general male members and colored paper clips to general female members. This approach saved time by reducing the time it took to vote, and made it possible to easily distinguish which were the views of several different groups at one time. Additionally, this approach avoided the development of weariness that could have grown among participants.

| Before FOREST COOPERATIVE: Level of local ownership of forest? | Before FOREST COOPERATIVE: Level of care for the forest? | Before FOREST COOPERATIVE: Income from the forest area as a percentage of household income? |
|--|--|---|
| Average: 40% Female 56.67% Male 35% Manager 33.3% | Average: 51% Female 70% Male 42% Manager 40% | Average: 56.67% Female 56.67% Male 56% Manager 60% |
| After FOREST COOPERATIVE: Level of local ownership of forest? | After FOREST COOPERATIVE: Level of care for the forest? | After FOREST COOPERATIVE: Income from the forest area as a percentage of household income? |
| Average: 85% Female 100% Male 56% Manager 100% | Average: 98.9% Female 100% Male 100% Manager 90% | Average: 56.67% Female 56.67% Male 56% Manager 60% |

In general, participants had an increased level of awareness about forest tenure and paid more attention to forests after joining the cooperative. It could be said that the cooperative had a positive impact on participants. Many participants reported that since joining the cooperative, they have been able to get loans because they can pass the forest tenure appraisal of the forestry department and financial institutions. They also showed a greater level of awareness about the role better forest management and protection can play in helping FFC members to get higher appraisals and thus better loans.

The proportion of forestry-related income to farmer households' income remained unchanged,



as confirmed by the participants. To a large extent, income is determined by a simple buyer-seller relationship between the cooperative and its members in which the purchase price is directly related to market price. Xiaozhuang Bamboo Shoot Cooperative did not make direct contribution to increasing the income of its members, but it imposed many positive impacts in other ways. For example, the cooperative provides employment opportunities for villagers (some villagers can be hired as factory workers, especially female villagers who have spare time beyond the time they spend taking care of their families, but who cannot or do not want to depart from their hometowns). This employment can mean that villagers gain a relatively stable income, i.e. 30-40 Yuan/8 hours. Moreover, the founding of the cooperative increased the popularity of Xiaozhuang and caused it to receive enhanced attention from the government, which helped to introduce projects such as the Kangzhuang Road Project that provides more convenient transportation for villagers.

Since the issues of forest tenure, management and protection have been rather sensitive, and open discussion was encouraged as part of this study. Nevertheless, some elements, such as internal relations amongst villagers, may have affected the results of the testing. In discussion with study participants, most of the women (about four out of five) were related to the cooperative managers. This was a key factor in making the women team members give more positive answers than they might otherwise have done. Another factor affecting the discussions and likely restraining the amount of open feedback and input from participants was that female participants rarely gave clear and definitive answers to questions, and usually tended to be affected by the people around her and by their answers.

In spite of the difficulties, it was clear from the responses of the participants that the cooperative generally had made positive influence.

2.3 Strengths and weaknesses of the Xiaozhuang Bamboo Cooperative

In the discussion of advantages and disadvantages in the past and current development of the cooperative, as well as the challenges and opportunities encountered, oral discussions were held in which the facilitator asked questions and participants gave verbal responses. This method was more effective given the low level of education of the participants, which restricted their thinking and understanding about the cooperative's development, and which made it difficult for them to give written answers.

| Time | Strengths + | Weaknesses – |
|--|---|--|
| Looking back  | Higher price; Increasing opportunities for woman; Enhancing the village's reputation. | Shortage of equipment; Shortage of funds; Small scale. |
| Time | Opportunities + (What we hope for) | Threats – (What we are worried about) |
| Looking forward  | Participants not very clear about future opportunities | Lack of government support |

The participation in the cooperative is directly related to the nature of the cooperative. The Xiaozhuang Bamboo Shoot Cooperative is basically centered on the bamboo shoot processing factory, and the relations between the factory and villagers is a rather loose buyer-seller relationship. In fact, the factory generally purchases bamboo shoots at a lower price than market prices, and if the factory offers lower prices than other buyers do, villagers can sell their bamboo shoots to other buyers. Xiaozhuang cooperative offered a little higher price (about 0.02-0.03 Yuan per 500 grams) to the members than other buyers. However, because of the small scale, this benefit was not obvious to the members. This shows that many members lacked a clear knowledge of the internal structure, intended function and future development of the cooperative. Another benefit that accrued to members of the cooperative was that more government support was gained. It seems however that this kind of benefit does not attract attention from some of the cooperative members. This is likely the result of there being an uneven distribution of resulting benefits. Ultimately, it was mainly the managers of the cooperative who gave answers to the questions on advantages and disadvantages asked in the study and which are displayed in the above table.

2.4 Priority capacity development

In terms of the priority capacity development areas for the cooperative, it is important to consciously guide participants to think about the questions after interpreting the whole process of production, marketing and management, in order to increase their participation in

the discussion as much as possible.

| Procedure | Production | Processing | Marketing | Planning |
|-------------|------------|------------|----------------------------------|--------------------|
| Improvement | Quality | Equipment | 1) Packaging 2) Advertisement | Market information |
| Importance | ☆☆☆☆☆ | ☆☆☆☆☆ | 1) ☆☆☆ 2) ☆ | ☆☆☆☆☆ |

It can be seen from the above table that product quality improvement, equipment upgrading, marketing information, packaging and advertising were considered to be the priority areas in need of further capacity development. Again, it was the managers who dominated the discussion on priority capacity development since most other members had not participated in the daily management and operations of the cooperative.

3 The Longquan Jinfa Tea Cooperative

3.1 The story of the Jinfa Tea Cooperative

The Jinfa Tea Cooperative in Longquan was founded in August 2007 in the Quyuan Village under the Tashi Township. In 2005, the city government of Longquan began to take measures to encourage the tea industry's development and organized a study tour for managerial personnel and representatives from various levels to learn from the experiences. With the government's support and encouragement, the initiators of the cooperative started to plan and establish the tea cooperative with the hope of using a large swath of bare land and hills around their village. The cooperative initially had 5 financiers with a total investment of over 1 million Yuan. The initial input capital was mainly used for land preparation and the purchase of tea seedlings and fertilizer. One year later, the cooperative gained a guaranteed source of tea. In August 2008, Wulongshan Tea Limited was founded, with operations beginning under the mode of company + cooperative + farmer household. The products of the company became very popular due to its bringing new varieties of tea to the area, its use of advanced technology and an excellent natural environment in which the tea was produced. This led to an expansion of production scale. After 3 years of development, the company financial turnover in 2010 amounted to more than 10 million Yuan, and an annual growth of 100%.

At present, the cooperative has over 200 members from 6 administrative villages with the Qu Yuan Village included, and the cooperative's tea base reaches more than 2000 mu (about 133 ha) in area.

During the cooperative operation, four cooperation modes have been established between the company and farmer households, as described below:

- Mode 1: Farmers sell their tea leaves to the company.
- Mode 2: Farmers lease their land to the company without rent, and the company plants, manages and harvests a tea plantation for 3 years and then returns the land and tea trees to farmers for their own management.
- Mode 3: Farmers lease their land to the company without rent, and the company plants, manages and harvests tea plantation for 3 years, and then the company and farmers jointly manage the tea plantation and share the revenues.
- Mode 4: Farmers with relatively low income can buy tea seedlings on credit from the company and manage the tea plantation, and after harvesting, farmers sell tea leaves to the company with the credit deducted from the payment.

The company also established its own tea seedling base by leasing farmers' land and paying rent to farmers in the form of grain. Initially, the annual rent was 150 jin/mu of grain (75 kg/666.7 m²). As farmers have learned more about the economic benefits of tea trees, land rents have increased.

In terms of the cooperative's day-to-day management, it is the company that is responsible for marketing management, technology support, communications and liaising with government departments and the end sale of products. The cooperative holds at least 2 meetings every month to discuss tea plantation management issues, including the growth state of the tea trees, the use of fertilizers, quality control of products, etc. The cooperative has its own technical managers in charge of consulting with agriculture authorities, providing technical guidance for farmers, buying fertilizers on credit, etc. Other issues of financial and sale management are taken charge of by the internal operating system of the company.

These two cooperatives both started as production small and medium forest enterprises (SMFEs), however the Xiaozhuang cooperative grew out of the bamboo shoot processing factory, while the Jinfa cooperative was set up by the funder who wanted to run a tea processing factory. For both cooperatives, the barren land resources were good for setting up

FFCs. Referring to operational structure and governance, they both have operated as companies in which a variety of ways of cooperating with farmers have been established.

3.2 The perceived impact of the Jinfa Tea Cooperative on its members

The tools and methods used for the research on the Jinfa Tea Cooperative were the same as those used with the Xiaozhuang Bamboo Shoot Cooperative. The first thing was to understand the change in knowledge about forest tenure, management and protection and forestry-related income from before and then after participants' membership in the cooperative.

| Before FOREST COOPERATIVE: What do you feel about the level of local ownership of forest? | Before FOREST COOPERATIVE: Level of care for the forest? | Before FOREST COOPERATIVE: Income from the forest area as a percentage of household income? |
|--|--|---|
| Average: 95.33% Female 93.33% Male 93.75% Manager 100% | Average: 76.7% Female 80% Male 80% Manager 67.5% | Average: 39.37% Female 37.5% Male 36.25%; Manager 47.5% |
| After FOREST COOPERATIVE: Level of local ownership of forest? | After FOREST COOPERATIVE: Level of care for the forest? | After FOREST COOPERATIVE: Income from the forest area as a percentage of household income? |
| Average: 100% Female 100% Male 100% Manager 100% | Average: 86.67% Female 100% Male 80% Manager 80% | Average: 85% Female 100% Male 80% Manager 80% |

It can be seen from the above table that there is a tangible change in the villagers' awareness about forest tenure, management and protection and forest-related income after villagers joined the cooperative. Forest-related income shows the largest change with the proportion of forestry-related income to farming-related income jumping from the previous 40% to 80%. A



majority of participants said that, after the founding of the cooperative, the bare land and hills around the villages have been used for tea planting, which at once improves land use and transforms the original bare land and hills into forest. Thus villagers' understanding of forests improved and the environment was beautified. Previously, forest-related income mainly came from the sale of moso, but after the founding of the cooperative, both tea trees and understory products such as edible fungi and mushrooms have created income for farmers.

It was highly apparent that villagers participating in our testing activities were active engaged in expressing their views. Some young people were vigorous in their involvement in the cooperative. This can be attributed to the income increases and optimistic outlook for the future.

3.3 The strengths and weaknesses of the Jinfa Tea Cooperative

In this portion of the study's activities, efforts were made to ensure that every participant could express his/her views verbally, in free, open and easy conditions. In order to get opinions about the advantages and disadvantages of the cooperative, as well as future opportunities and challenges, the key points were recorded and restated by the facilitator.

Given that it takes the company, which has sound management and organization, as a basis, the cooperative has developed rapidly. The biggest current problem is how to expand to seek a larger market share. Throughout the discussions, participants shared the problems they perceived about the cooperative's development and made some statements about the cooperative's future development.

| Time | Strengths + | Weaknesses – |
|--|---|--|
| Looking back  | No pollution byproduct; Advanced technology; Defined division of labor; Attractive packaging; QS certification. | Lack of managerial technology; Insufficient space; Deficient equipment; Monotonous product variety; Inadequate security conditions due to limited asset assessment; Lack of communication with other places; Limited dissemination channels; Difficult to recruit talent. |
| Time | Opportunities + | Threats – |
| Looking forward  | Stable marketing; Sufficient provision of material. | Fierce market competition; Power supply deficiency; High financing interest. |

In terms of the priority areas of development of the cooperative, most members expressed that their opinion that there is a need to develop new products, enhance technology and communications and grasp consumer information from a wider channel. They also thought that a market survey would be an important tool in carrying out further promotion and marketing of products.

4 Notes on Methodology

(1) Forest Connect toolkit package activities were welcomed due to their flexibility and participatory methods

The Forest Connect guidance module # 14 encouraged the use of open discussion, easy-going talking and simple voting. Hence, most participants showed great interest in the activities. The method was more easily accepted and could erase some psychological misgivings, especially in comparing the awareness of farmers towards forests before and after they joined the cooperative, For example, some participants worried that their attitudes might induce

some unknown impact on the cooperative and themselves. On the other hand, the over-relaxed environment could have slowed down the progress of the study. Therefore, it was important that the facilitator had the capacity to concentrate the attention of participants on a timely discussion of questions.

(2) Organizational structure of the cooperatives had a large impact on the use of the Forest Connect guidance module # 14

The organizational structure of the cooperatives determined whether the relationship between cooperatives and farmers was close or not. With regards to the cooperative maintaining a close relation with its members, the members conveyed that they have knowledge and ideas about the operation and management of the cooperative, and if there is a close relationship maintained between the cooperative and its members, members could offer positive contributions. On the contrary, if the cooperative fails to have a close relation with its members, like the Xiaozhuang Bamboo Shoot Cooperative which has only maintained a simple buyer-seller relationship with its members, the members will not understand how the cooperative is operated and managed. When the toolkit module testing was implemented for this type of cooperative, most information was given by the cooperative managers since most participants failed to be able to actively engage in discussions. This brought some adverse impact on the use of the toolkit module.

(3) Issue on farmers' awareness about forests before and after joining cooperatives

As the participants in the toolkit module testing mostly live in the same village and most of them are managers or general members, some participants chose to conform to others' views or tended to give a positive answer for the issues on forest tenure and protection. For example, they would say that joining the cooperative enhanced their awareness of forest tenure. Of course, this is only a tendency, and did not affect all of the results. It was not considered to be necessary to have separate meetings with the managers and with the members in this type of cooperative, because while managers did take a key role in the meeting, members were not very familiar with the history and management of the cooperative, and less information could have been acquired from the general members regardless of the meeting format.

(4) Issues related to the manner in which views were expressed about the past and future development of cooperatives

In the toolkit module testing, participants should have given written opinions and views. But in practice, as they are farmers with a limited education level, most members of the two cooperatives had difficulty giving their opinions and views in writing. As a result, the method of orally discussing questions and answers was employed in which the activity organizer wrote the key words on paperboard for everyone to discuss. While this worked well enough, the shortcoming was that oral expression can easily influence the opinions of other, and compared with written answers, the opinions collected were neither sufficient nor diverse.

5 Feedback from participants

Participants relayed that the discussion and communication process helped them to clarify and deepen their thoughts about the cooperatives' operation and management. This likely helped, to some extent, to improve their understanding and awareness.

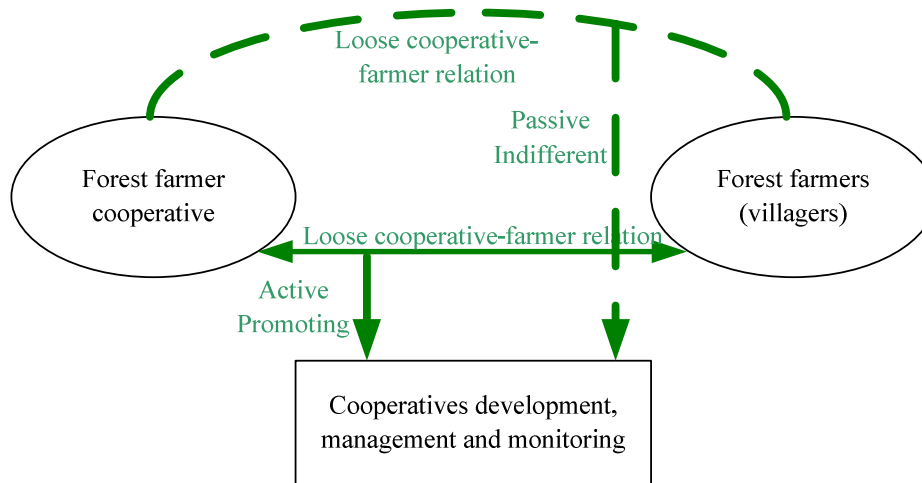
6 Advice on developing cooperatives

6.1 Establishing diversified cooperation modes promote the virtuous operation of cooperatives

It can be seen from the testing of the two forest farmer cooperatives that close cooperative-farmer relations can enhance the enthusiasm of villagers. The development of the Jinfa Tea Cooperation shows that more stable cooperation with villagers established through the four modes reduced villages' worries about risks and attracted better engagement in the cooperative's operations. As a result, the cooperative left an active and good impression in terms of its overall activities and development trend. Though close cooperation relations may not fundamentally determine the development orientation and management results of cooperatives, diversified cooperation modes have been seen to arouse farmers' enthusiasm because they see more opportunities for there to be win-wins for themselves and for the company. Additionally, close and cooperative relations can make farmers more aware of and concerned about the economic benefits and future development of the cooperative, and as a result they might come up with more ideas and suggestions for cooperative development. In

this way, the farmers play a role in promoting and monitoring cooperative development and management.

The diagram here is a sketch map, showing the various kinds of relationships between cooperatives and members and the influence of these various relationships.



6.2 Instituting development goal and strategy for cooperatives

The results of the study show that FFCs can provide a number of benefits to its members and for the market. One key way they can do this is by guaranteeing raw material availability and quality. A second way is by lowering the overall costs of planting, management and technical support as a result of improved economies of scale arising from cooperative farmer members growing the same crop. FFCs can also help members to sell their products for better prices and under more convenient circumstances, a particularly useful service in light of many forest farms being located far away from markets. Finally, FFCs can help members in dealing with marketing and issues of operating within a competitive marketplace, which can increase members' bargaining power and, ultimately increase profits.

FFCs employ various strategies at different development stages of a cooperative's development. Selection of various strategies is mainly affected by the cooperative managers' funding strength, working capability and judgment about the market.

For example, during the early stage of the Jinfa Tea FFCs development, a variety of issues needed to be addressed, including gaining the local authorities approval, determining the

market conditions for new products, understanding investment needs and priorities such as production space, equipment, land, marketing costs and so on. The FFC strategy is to pull together as many farms as possible so as to improve access to money, land and raw materials. Based on this strategy, the Jinfa Tea FFC built four kinds of cooperation models in accordance with different forest households' demands and different wealth levels. These four models have provided as many chances as possible for farmers to join the FFC. The reality has proven that this model has contributed to the success of the Jinfa Tea FFC at its establishment stage.

After three years of development, it has gone smoothly and passed beyond the growth period. It now faces the question of how to continue its development. The Jinfa Tea FFC has set up certain rules to limit farmer participation in the FFC because the tea trees have grown to where they produce a lot raw materials, and as a result of the growth in profits from the tea, many more farmers have begun to grow tea trees. The concern is that the raw materials provided to the FFC have begun to overwhelm the processing capability of the tea factory. As a result, at this stage, the strategy of the FFC has changed and they are now determining how to grow well, how to develop new markets for their products and how to explore their processing ability.

Furthermore, as cooperatives are often founded by influential local individuals or enterprises under the support and guidance of local government, the core decision and management of most cooperatives cannot be made until after fully grasping the dynamics and growth characteristics of the industry. This, to a large extent, affects the near-future development and long-term planning of cooperatives. Many cooperatives have no thoroughly-discussed and written development plan. Decisions about development goals by cooperative managers who have limited experience and information will bring high risks and uncertainties, which could affect the development rate and life cycle of cooperatives.

Strategic planning and the setting of goals should be instituted with consideration of three areas. First, the actual condition of cooperatives should be considered when deciding on development goals. Second, strategic measures, approaches and methods should be defined. Third, the strategic plan should be adjusted and revised through discussion and evaluation made together with all cooperative members. Of course, strategic planning needs to consider the enforceability and flexibility of the strategy as well. Additionally, when instituting the strategic plan, thought should be given to the way in which members contribute to the

cooperative's development, including areas such as brand building, promotion, human resources allocations and so on.

6.3 Consciously improving existing technology and introducing new technology

For forest farmer cooperatives founded in the form of company + farmer households, the economic benefits and development prospect of a company decide the development of the cooperative. The above two cooperatives illustrate this conclusion. The smooth development of cooperatives fundamentally depends on the condition that the products can continue to create revenues and members' interests and rights can be guaranteed. Only by meeting that condition can cooperatives operate and function normally. On the other hand, constant improvement and upgrading of production technology is the key for products to be able to continually create revenues. During the development of forest farmer cooperatives, limited understanding, blocked information exchange and a lack of economic strength can make it hard to improve existing technology and/or introduce new technology. Cooperative managers need to work to consistently and consciously build cooperation with government technology support departments, universities and colleges, research institutes and the private sector, looking to such entities for technical support and guidance. Managers should also advocate for constant improvement and innovation during the production process and encourage members to come up with new ideas, so as to promote technology innovation within cooperatives.

Generally, technology improvement and innovation include the following approaches: (1) Sum up and research experiences obtained within cooperatives to improve existing technologies; (2) Improve technologies through technology guidance and government provided technical support; (3) Improve existing technology and introduce new technology through cooperation with universities, colleges and research institutes; (4) Joint technology development through cooperation with cooperatives of the same type.

6.4 Strengthening brand building and accelerating product innovation

For FFCs, the importance of brand building lies in the prospect of enhancing consumer

awareness of and trust in the products of the cooperative, and increasing the added-value of their products. This can result in an increase in product prices and can increase members' incomes. This can also at once stabilize the cooperative size and attract more forest farmers into the cooperative, ensuring that the cooperative consistently grows. Strengthening brand building requires commitment from the managerial level of cooperatives. Fostering brand ideas also needs to be something that the members support, so that a brand culture is established within the cooperative. Brand building presupposes a sound organization structure, while product quality provides the basis for brand building and development. Therefore, for cooperatives seeking to grow, brand building is an indispensable activity and the basis for winning a stable market position. This being the case, alongside efforts to guarantee product quality, advertisement on the radio and on television should be employed to enhance brand popularity, expand product market share and gain market revenues.

Brand building needs to reflect the regional and production variety of products so as to reduce product homogeneity, highlight core product advantages, expand development channels and gradually gain advantageous market competition positions.

6.5 Adjusting internal management mechanisms

Internal management of cooperatives includes the institution and implementation of organizational systems, personnel management, organizational supervision, organization structure, interest distribution, etc. Sound management mechanisms are a prerequisite to an organization's healthy development. According to some researchers, financing members will be perceived as having a greater right to express their opinions and implement decisions. In order to ensure heterogeneity of cooperatives, it is necessary to utilize management mechanisms to overcome and solve the problem of only having financing voices speaking. This is because an equal and harmonious atmosphere leads to a better guarantee of having organized cooperative management, and can assist in avoiding competition between interest groups within cooperatives. Only when most members have equal right to express their ideas can the long-term development of cooperatives be ensured.

The financial management of cooperatives is also important, as the essential objective of building and participating in cooperatives is to gain consistent returns. Accounts accessibility and profit distribution in accordance with rules provide a basis for the healthy development of cooperatives.

A sound cooperative management mechanism includes institutional management parameters, and specifically addresses issues of organizational structure, equal rights to discuss and make decisions, access to financial revenues and expenditures information and sound supervision and feedback mechanisms. Consistent with this, personnel management is another key component of a sound cooperative management mechanism. This includes focusing on issues such as member management, technical training and guidance for members, incentives for managers and members, ensuring a code of practice for financing members and so on.

6.6 Organizing technical and management training and establishing a wide communication mechanism

The level of production technology of cooperative members and the management level of those serving as managers are fundamental factors in deciding the revenues of a cooperative. Since the FFC is mainly composed of farmers with a low education level, cooperatives need to attract relevant talent from other channels to work for cooperatives, or hire relevant experts to regularly provide technical and management training in order to improve production capacity and management levels. As many FFCs are remote and have limited access to information, a widely reaching cooperation and communication mechanism needs to be established with universities, colleges, research institutes, government agencies, technology intermediaries and other cooperatives. With this method cooperatives can obtain enough marketing and technology information to be able to improve production and management.

With poor education and the low income levels of most local farmers, it is not convenient for members to access internet regularly. A brief survey was carried out during the workshop, which found that only 2 or 3 people had computers. They were either managers or youth members. This being the case, the recommended Step 5, which focuses on catalyzing a marketing information system through the internet will likely not be realistic. However, mobile phones are very popular amongst all the FC membership. Fetion (a service supported by China Mobile Communication Corporation, by which messages can be send freely from PC to PC and PC to mobile phone) is a better way to communicate marketing information. This is because with mobile phones, people can send messages at the same time to all people in the system. All telephone numbers of the members who took part in the workshop were collected. Subsequent to the workshop, an internet instant messaging platform was set up on QQ, a Chinese instant messaging tool similar to Skype and MSN. The platform includes a local forest station worker who has closely communicated with the manager of Forest

Connect. Contact with the local forest station workers has been maintained with the help of the instant messaging tool, QQ. The Forest Connect manager has received the website address, SMFE.org.cn. He plans to visit the website to get useful information to send to the cooperatives' memberships, such as policy and regulatory updates and general news about products being developed by the cooperatives.

Annex 1: Tool Boxes prepared to support development of the Forest Connect Toolkit, Module 14

The boxes below show the cooperative models of the Xiaozhuang Bamboo Shoot Cooperative and the Jinfa Tea Cooperative, in order to support the development of the Forest Connect Toolkit, Module 14.

Quality management of Xiaozhuang Bamboo Shoot Cooperative

The Xiaozhuang Bamboo Shoot Cooperative was founded in 2007 by the manager of the Xiaozhuang Food Processing Factory. Initially, there were 5 funding members, a total amount of registered funds equaling 70 000 Yuan and 72 non-funding members. By 2009, the cooperative had grown to include 132 members, with 5 members acting as the funding members and the other 127 members participating as non-funding members. The total registered funds equaled 100 000 Yuan, 30 000 Yuan of which was converted from the appraisal values of farmers' contractual land management rights.

As the company lacked financial support from the government, the cooperative focused its efforts on strict product quality management, in order to grow in popularity. The market share increased quickly because the bamboo shoot produced was fresh and tasted good, both characteristics which depend upon a high level of raw materials quality control. Shoots supplied by cooperative members are required to meet a series of quality requirements laid out by the cooperative.

Effective participation modes taken by the Jinfa Tea Cooperative

The Jinfa Tea Cooperative in Longquan was founded in August 2007 in the Quyuan Village under the Tashi Township. The cooperative initially had 5 financiers with a total investment of over 1 million Yuan. The cooperative was operated under the mode of company + cooperative + farmer household. By 2010, the turnover amounted to more than 10 million Yuan, involving more than 200 villagers from 6 villages. The cooperative not only greatly increased the income of villagers but also provided much employment, which has aroused a high level of the enthusiasm amongst farmers. In particular, the cooperative has used bare land and hills to plant tea and in so doing, has contributed to improved land use and

ecological sensitivity, and to the promotion of sustainable regional development. Such achievements are closely linked to the diversified cooperation modes established between the cooperative and the farmers, to the successful internal governance used by the cooperative and to an intense level of market demand for a new tea flavor.

Over the course of the cooperative's operation, four cooperation modes have been established between the company and farmer households, as described below:

- Mode 1: Farmers sell their tea leaves to the company.
- Mode 2: Farmers lease their land to the company without rent, and the company plants, manages and harvests a tea plantation for 3 years and then returns the land and tea trees to farmers for their own management.
- Mode 3: Farmers lease their land to the company without rent, and the company plants, manages and harvests tea plantation for 3 years, and then the company and farmers jointly manage the tea plantation and share the revenues.
- Mode 4: Farmers with relatively low income can buy tea seedlings on credit from the company and manage the tea plantation, and after harvesting, farmers sell tea leaves to the company with the credit deducted from the payment.

The Jinfa Tea cooperative was highly impressed by the test. The members there showed a great deal of enthusiasm about their cooperative participation, and have many ideas about the cooperative's future development.