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Study on the Benefit Distribution Mechanism of Farmer Professional Cooperatives

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Abstract Farmer professional cooperatives has the positive spirit which promotes the social equity. To a certain extent, it makes up for the shortage of market economy. The benefit distribution of farmer professional specialized cooperatives is an important manifestation of the realization degree of farmers' interests. Reasonable benefit distribution mechanism is an important way to promote the healthy development of farmer professional cooperatives. It is also the outstanding embodiment of farmer professional cooperatives. On the basis of analyzing the current situation, the basic principle and the main distribution mode of the benefit distribution mechanism of farmer professional cooperatives, combined with the current actual situation, to analyze the existing problems and put forward the corresponding suggestions.

Keywords: Farmer professional cooperatives; benefit distribution; distribution mechanism

1 INTRODUCTION

In recent years, with the marketization and internationalization of agriculture, the central government is very concerned about the "three rural issues", and to strengthen the support of the agricultural industry. How to develop rural economy and improve the income of farmers become the focus problem. Developing the farmer professional cooperatives is the inevitable request of agriculture modernization and the socialism new countryside construction. This is a new way to solve the "three rural problems" and increase the income of the farmers. In fact, the farmer professional cooperatives is the institutional arrangement that combines the advantages of family operation and cooperative operation, and it

can effectively solve the contradiction between the small farmers and the large market.

The farmer professional cooperatives is based on the contracted management of the rural family, similar agricultural production operators, product service providers and user, voluntary union, the democratic management of mutual economic organization. The main service object of farmer professional cooperatives is the members, to provide them with the purchase of agricultural means of production, agricultural products sales, processing, transportation, storage and agricultural production and business related to technology, information and other services. In product sales, members have product sale pricing autonomy, and enjoy a cooperative surplus distribution; In the

social status, farmer professional cooperatives, government, social organizations and other enterprises are all equal independent market entities. There is no personnel, finance, business and other aspects of the membership and dependence.

In 2007, The Farmers Specialized Cooperatives Law enacted to establish the legal status of farmer professional cooperatives. According with the law, farmer professional cooperatives entered a new stage in advance. Therefore, farmer professional cooperatives is a kind of enterprise form that the user owns and controls the distribution of benefits according to the operation situation. As a special kind of enterprise, to pursue fairness and efficiency is the goal of the management and development of farmer professional cooperatives, the core content is the benefit distribution mechanism. Scientific and reasonable interest distribution mechanism is the soul of farmer professional cooperatives. And it is the key to attract more non members to join the cooperatives. It is also the decisive factor for the farmer professional cooperatives to obtain stable, development and growth.

2 THE CURRENT SITUATION OF FARMER PROFESSIONAL COOPERATIVES BENEFIT DISTRIBUTION MECHANISM

Interest is the basic motive of all human social economic activities. How to get the benefit from the cooperation of production and obtain the expected benefit is the starting point of every rational person's behavior choice. The main motivation for joining the farmer professional cooperatives is to realize self service (to obtain the right to use the cooperatives) and to obtain the corresponding economic benefits. In the operation and business, the surplus of the cooperatives is to meet the needs of membership requirement who want to realize economic interests. The benefits distribution of the farmer professional cooperatives refers to the institutional arrangements for the distribution of surplus between the cooperatives and the members. The benefit distribution of the cooperative is decided by the property right system of the cooperative.

Benefit distribution not only affects the stability of the cooperative organization and the enthusiasm of the members, but also has a profound impact on the development and operation of the cooperatives and their own interests. Therefore, it is an effective factor to guarantee the sustainable development of farmer professional cooperatives and the common economic benefits to establish an effective benefit distribution mechanism. At present, there are three

types of benefit distribution of the farmers professional cooperatives in our country:

2.1 According to the Membership Distinction

According to the different relationship between members and cooperatives, divided into different categories of members, and reflect the differences in the distribution of profits. For example, Baoding Qingyuan County Chinese high quality professional cooperatives, there are two categories of membership, that is core and non core membership. Among them, the core members need to pay "to share", enjoying the dividends and dividend rights. Non core members do not need to pay "to share". They have no dividends and dividends, only have a part of the right.

2.2 Members and Council Members are Treated Differently

Zhejiang Lishui City Park town of cooperatives is a good example. Cooperative funds mainly comes from membership dues, shares, government support funds, bank loans, private fund and undistributed profit and so on. The nature of cooperatives is a joint stock partnership. Membership of the Council is a partnership. The relationship between the members are members of cooperatives. The sponsor and the members have different status and benefit distribution. The promoters have more shares, so most of the profits of cooperatives belong to them.

2.3 Fixed Allocation Ratio

Dividend and profit return two ways co-exist. This allocation method not only allows members to get the profit of primary agricultural products, but also can obtain the majority of agricultural products processing and sales of value-added profits. On the basis of dividend and profit return specific amount is different, it can be divided into "Dividend based, supplemented by profit return" and "return of profits, dividends" by two distribution modes.

3 THE BASIC PRINCIPLES AND MAIN METHODS OF FARMER PROFESSIONAL COOPERATIVES BENEFIT DISTRIBUTION MECHANISM

3.1 The Basic Principle of Farmer Professional Cooperatives Benefit Distribution Mechanism

The benefit distribution mechanism of the farmer professional cooperatives is different from other interest organizations, which is mainly based on the principle of distribution according to the volume of transactions and the principle of limited capital returns.

1) According to the transaction amount (quantity) distribution principle

The nature of the non profit determines that cooperative should be allocated the part of the surplus to the members. The generation of surplus is mainly through the exchange which happens between members and cooperatives, so the surplus of cooperatives is allocated by according to the earnings distribution percentage to return to members. This mode of distribution is not only benefits the members, but also to attracts non members to join the cooperatives. In addition, compared to the profit business, this distribution approach shows that the cooperative is to serve the members, rather than on behalf of the interests of investors. First provisions of the thirty-seventh article of The Farmers Specialized Cooperatives Law: "According to the ratio of trading volume (quantity) which trades between members and cooperatives to distribute the surplus. But the total return shall not be less than 60% of the distributable surplus". This is not only in conformity with the principle of cooperative characteristics, but also has the support of legislation in China. It can clearly distinguish between cooperatives and profitable enterprises, is a basic principle of the development of cooperatives.

2) Principle of limited capital returns

Farmer professional cooperatives is not only the agricultural Organization, it is also involved in the market economic entity. Therefore, the capital is a very important and indispensable element to the cooperatives. Although it is generally believed that "The cooperative is combined of people, rather than capital". But cooperatives are non-profit. To better serve the members, cooperatives need to provide basic funds to protect the service. At the same time, to be able to get a favorable competitive position in the fierce market environment, cooperatives need enough capital to maintain long-term technology and equipment upgrading, to expand scale and enhance strength. Therefore, the introduction of capital is extremely important for cooperatives.

However, because the goal of the cooperative is using preferential price to serve the members. The accumulation and accept the capital is only a way to achieve the goal. Members are making use of the capital to implement labor, rather than working for the capital owners. The interests of the cooperatives are created by the exchange of workers in the production process, so it should be shared by the workers. Limited capital reward is

aims to prevent members have too much capital, so that protect the cooperatives not because capital controls alienation into shares of the company. At the same time, according to the transaction amount (quantity) distribution principle is conducive to encourage members to invest in cooperatives, to inhibit or alleviate the problem of a shortage funds. In order to attract more capital into the construction of the cooperative, further promote the cooperative development, in the operational development of the cooperatives can according to the specific circumstances, appropriate to relax the capital limited remuneration principles, and then achieve the common development of cooperatives and investors.

3.2 The Main Method of Farmer Professional Cooperatives Benefit Distribution Mechanism

The distribution of profits is equal to the profit minus the expenses and the burden. The main methods of profit distribution:

1) Extraction of cooperatives accumulation

The accumulation of cooperatives consists of public welfare fund, accumulation fund and development fund. They all preferred extraction in the cooperatives after-tax profit distribution. The extraction ratio of public welfare fund is generally after tax profit of 5%~10%. Provident fund extraction ratio is generally after tax profits of 5%~10%. Development fund extraction ratio is generally after tax profits of 10%~20%. In addition, three kinds of accumulated funds are not used for the same purposes. Public welfare fund is mainly used for the collective welfare of cooperatives. Provident fund is mainly used for the development of cooperatives and expanded reproduction. Development fund is mainly used to make up for the loss of the year to pay members of the dividend, and the purchase of equipment, as well as new product development, etc.

2) Distribution of surplus profit

The distribution of profits is equal to the profit minus the expenses and the burden. The Council put forward the residual profit distribution plan, and members of the general assembly to discuss whether to pass. Only members of the general assembly agreed to pass, the plan can be implemented. The cost and burden of cooperatives generally include that various taxes and fees, interest on bank loans, wages, equipment depreciation, capital investment interest etc. Income after deducting the above expenses and burden is the remaining profit. The distribution form of the remaining profits generally is

according to the trading volume and stock dividend return. According to the trading volume return refers to members of the cooperatives in the purchase of goods and provide physical quantity or the amount of money of agricultural products as the main basis for distribution, to return the surplus as the main form. Capital stock dividend is carried out in accordance with the membership has capital allocation, the member's congress decided the specific ratio of share out bonus. This ratio is generally higher than bank interest rates over the same period, lower than the trading volume return ratio. There are two forms of capital: identity shares and investment shares. Identity share dividend rate is lower, generally equaled to the same period bank deposit rates. Investment share dividend rate is higher, generally higher than the bank deposit rate of 10%~15%.

4 PROBLEMS OF FARMER PROFESSIONAL COOPERATIVES BENEFIT DISTRIBUTION MECHANISM

1) Lack of a fair and reasonable interest distribution mechanism

In the actual process of establishing the farmer professional cooperatives, many cooperatives have not set up a unified system of benefits distribution. For example, some cooperatives in the problem of the proportion of the interests distribution have greater randomness. It is completely determined by the cooperative board members. Some founders do not know the requirements of interests distribution, they only think that cooperatives main function in the agricultural production process is to give members price concessions. In addition, all the share of property and cooperatives subsidies granted by the government have not been reflected in the distribution of personal, and there are property rights is unknown.

2) Interest distribution is relatively low

At present, the public accumulation of cooperatives in our country is relatively low. And the surplus is also relatively low. Because the purpose of the public accumulation is to grow the size of cooperatives and the development of cooperatives, so that members get more profits. But as far as the present situation is concerned, most cooperatives in our country have low profit level, low return on investment and long payback period. It cannot be created to satisfy the distribution of the surplus of 60%, seriously impede the development of farmer professional cooperatives.

3) Democratic management system is not perfect

Although The Farmers Specialized Cooperatives Law clearly pointed out that farmer professional cooperatives is the joint of labor and capital, the members have the right to participate in the general meeting of members, enjoy the right to vote on the production and management, profit distribution and other important decisions. But in terms of the current situation, the cooperative internal management mechanism is not yet perfect, there are many problems. For example, in the existing cooperative management system, the core members have a high proportion of shareholding, and the ability of ordinary members is limited. So the cooperative affairs are basically in charge of the Council, and the ordinary members have no right to participate in . That prompted in setting standards of profit distribution, cooperative often maintain core membership interests and ignore the interests of the general membership.

4) Financial foundation is weak, lack of supervision

According to the law, cooperative needs to establish a scientific and complete accounting work mechanism, need to rely on the true, accurate, comprehensive and effective financial accounting basis. But because most of the cooperative financial institutions are existing set not sound, people post mismatch and so on problem. Some managers do not attach importance to the financial work. It led to poor financial accounting, financial statements are not complete and can not be extracted according to the provisions of the proportion of public accumulation and so on. In addition, because of the lack of effective financial proof, members of the assembly and the board of supervisors will lack of effective supervision to the board of the business activities. It is difficult to grasp the specific distribution of the surplus between the core members and ordinary members. At the same time, the external audit institutions and government regulators are also due to the same reason, unable to implement effective supervision to cooperatives.

5) Lack of effective supervision mechanism

The Farmers Specialized Cooperatives Law stipulates that members can be based on the Charter or the general meeting of the members of the discussion, decided to benefit distribution approach. But the specific allocation mechanism and allocation scheme whether reasonable and legal are lack of effective external supervision and management. At the same time, democratic supervision has internal defects. Cooperative Council and board of supervisors, members of the

general assembly and other internal governance structure has not really set up and play a role. Although the cooperative management by many departments, but in fact, many unsupervised and mutual shuffle.

5 THE STRATEGY OF IMPROVING FARMER PROFESSIONAL COOPERATIVES BENEFIT DISTRIBUTION MECHANISM

1) A unified benefit distribution mechanism, regulate the behavior of profit distribution

October 2010 The Farmers Specialized Cooperatives Law promulgated and implemented, which clearly stipulates that: "According to the proportion of transactions between cooperatives and its members return, the total amount is not less than 60% of the benefit distribution. After the distribution of surplus profit, according to accounts recorded in the provident fund share, investment proportion and accept donations or other financial subsidies with the share proportion, allocated to the members ". Although the provisions clearly pointed out that the share of profit distribution, but did not specify the proportion of distribution. Cooperatives have the all right of decisions of allocated proportion, and the distribution has great randomness. Therefore, the government should formulate and implement detailed regulations of the benefits distribution, let the cooperative has profit distribution law and rules to follow. At the same time, the government should also guarantee specific implementation process, in order to prevent the emergence of exist dummy regulations phenomenon, and to regulate the behavior of interest distribution.

2) Strengthen internal supervision, improve the democratic management system

To improve the democratic management system, we should start with the structure of the Council, the internal supervision mechanism, and so on. Firstly, improving the democratic decision-making mechanism. Adhering to the principle of "one person one vote", to ensure democracy and equality of cooperatives. Establish internal membership group and encourage members take participate in the procedure, so that promote effective communication between the members. Secondly, to improve the decision-making level and efficiency. Through legislation to clear the boundaries of the rights of the general assembly and the council, to ensure members of the assembly and the Council act their own rights, and forbid the Council members act beyond their authority, so that improve the independence of the

cooperative decision making. Finally, improving the internal supervision system. The relevant laws should be clearly stipulated that each group members of the electoral process and proportion, to ensure the effective exercise of functions and powers of the board of supervisors, and to ensure that the rights and interests of ordinary members are guaranteed.

3) Regulate the financial management system, strengthen financial supervision

To strengthen the accounting personnel team construction, equipped with full-time accounting personnel, clear the rights and obligations of accounting personnel, give full play to the functions of accounting personnel. Meanwhile, strengthen the financial system construction of cooperatives, the standardize accounting content and order, on the basis of accounting regulations accounts. In the cooperatives to implement a comprehensive and open democratic financial management system, which is open to financial condition on a regular basis, to fully enjoy the right to know and to supervise their membership. The government introduced the relevant agricultural accounting system and regulations, and improved the training of financial accounting. In the rules and regulations clear that supervision and management measures, set up financial watchdog group, unregularly review the cooperative financial, regulatory cooperatives of benefit distribution, in order to prevent the occurrence of irregularities or illegal behavior of profit distribution within the cooperative.

4) Improve the management and supervision system of government departments

The management of government departments can guarantee the fairness of cooperatives benefits distribution. The business sector and The audit department as the main body of government regulation. The audit department should be criterion all kinds of rules and norms of cooperatives. Cooperatives should also support and self importance of internal audit, to strengthen the sense of responsibility and mission of internal audit, to improve the intensity and quality of audit, giving full play to the internal audit service and supervision function. The business sector should make the audit of operating conditions, the annual accounts and the implementation of articles of association, and will be open to the public, in order to summarize the form of report issued to the members, while the cooperatives in the audit process to solve the problems exposed. In addition, government departments should also according to

The Farmers Specialized Cooperatives Law the relevant provisions, judgment and identification of the authenticity of the cooperatives, the true nature of the supervision of cooperatives, to achieve real the benefit policy and promote the healthy development of farmer professional cooperatives.

6 CONCLUDING REMARKS

As a mutual aid organization which linked with interest, a reasonable profit distribution mechanism has a great significance to promote the healthy development of rural cooperatives. Improving and raising the economic income of members is the development goal and motive force of the farmer professional cooperatives. How to formulate a scientific and reasonable benefit distribution mechanism is an important issue that farmer professional cooperatives are facing now. Through analyzing the current situation, the basic principles and the main distribution mode of farmer professional cooperatives benefit distribution mechanism, and according to the problems in the mechanism, the following suggestions are put forward: A unified benefit distribution mechanism, regulate the behavior of profit distribution; Strengthen internal supervision, improve the democratic management system; Regulate the financial management system, strengthen financial supervision; Improve the management and supervision system of government departments. To hope these suggestions can promote the sustainable and healthy development of agricultural cooperatives.

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