WEP Warwick Evans Publishing

International Journal of Global Economics and Management

ISSN: 3005-9690 (Print), ISSN: 3005-8090 (Online) | Volume 6, Number 3, Year 2025
DOI: https://doi.org/10.62051/ijgem.v6n3.20
Journal homepage: https://ijgem.org

Research on the Protection of Members' Rights and Interests in Specialized Farmer Cooperatives

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ABSTRACT

With the increasing status of specialized farmer cooperatives, the research on the protection of members' rights and interests has gradually become a key focus. On the one hand, protecting members' rights and interests is crucial to the development of cooperatives, and relevant laws in China have stipulated provisions regarding members' rights and the distribution of benefits. However, there are still many current issues, such as the ineffective implementation of members' common rights and inadequate protection of their individual rights. As a result, the paper proposes corresponding countermeasures: starting from optimizing the general meeting system for members, strengthening the supervisory functions of the supervisory board, and improving the surplus distribution system, it aims to consolidate the protection of members' common rights, enhance the protection of their individual rights, and promote the steady operation of cooperatives.

KEYWORDS

Specialized Farmer Cooperatives; Members' Rights and Interests; Common Rights; Individual Rights

1. INTRODUCTION

Specialized farmer cooperatives are voluntary, democratic, and mutual-aid economic organizations formed by producers and operators of similar agricultural products, as well as providers and users of agricultural production and operation services, based on the rural household contract responsibility system. These cooperatives are not primarily profit-driven; instead, they are committed to mutual aid, cooperation, reciprocity, and shared benefits among members, aiming to serve cooperative members and bridge the gap between "small-scale farmers" and the "large market".In the process of agricultural development, specialized farmer cooperatives play a crucial role. They integrate fragmented agricultural resources, enhance production efficiency, strengthen farmers' resilience to market risks, and promote the modernization and large-scale development of agriculture.

As their role in the agricultural economy continues to grow, protecting members' rights and interests has become a key focus. A sound mechanism for safeguarding these rights is essential for attracting and retaining members. When members' rights are fully protected, their sense of belonging and loyalty deepens, prompting them to actively participate in cooperative affairs, leverage their initiative, and contribute ideas and efforts to the cooperative's development.From an economic perspective, rights protection involves aspects such as surplus distribution and property disposal. A fair distribution system can motivate members to invest in production and operations, thereby improving the cooperative's economic efficiency. In terms of democratic rights, safeguarding members' right to vote, right to make proposals, and other rights can promote the fairness and scientific nature of the cooperative's decision-making, enabling the cooperative to develop healthily and orderly, advance steadily in agricultural modernization, and maintain vitality in fierce market competition [3, 4].

2. THE DEFINITION AND LEGISLATIVE STATUS OF MEMBERS' RIGHTS AND INTERESTS OF SPECIALIZED FARMER COOPERATIVES

Members of specialized farmer cooperatives possess both common rights and individual rights. Common rights are primarily established to safeguard the overall interests of the cooperative and the shared benefits of all members. By exercising these rights, members participate in the cooperative's management and decision-making processes. For example, the right to vote allows members to cast votes on major issues at the general meeting, such as amending the articles of association, changing the scope of business, or electing managers—according to the principle of "one member, one vote" or other methods stipulated in the articles of association. This ensures that the cooperative's operational direction aligns with the will of the majority of members. Common rights also include the right to information, the right to make suggestions, and the right to supervision, among others.

By contrast, Individual rights are mainly intended to meet members' personal economic interests. The most typical example is the right to surplus distribution: members have the right to receive economic returns based on the cooperative's operational performance, in accordance with the distribution methods specified in the articles of association, such as the proportion of transaction volume (amount) or capital contributions. Members also have the right to access the cooperative's services: for instance, when the cooperative centrally purchases production materials, members can buy them at preferential prices; when the cooperative provides agricultural product sales channels, members can use these channels to sell their products smoothly. These services help members increase their personal income, reduce production and operation costs, and directly realize their individual economic interests.

Articles 21 and 22 of the Law of the People's Republic of China on Specialized Farmer Cooperatives stipulate the rights of cooperative members, clarifying that members enjoy the right to vote, the right to elect and be elected. Members who have a large amount of capital contribution or transactions with the cooperatives may enjoy additional voting rights as stipulated in the articles of association. Members may carry out democratic management of the cooperative in accordance with the articles of association, utilize the services and production and operation facilities provided by the cooperative, share in the surplus in accordance with the articles of association or resolutions of the general meeting of members, and access the cooperative's articles of association, membership register, records of general meetings or representative meetings of members, resolutions of the board of directors, resolutions of the supervisory board, financial and accounting reports, accounting books, financial audit reports, etc. Article 44 further specifies the distribution of members' interests, clarifying that the cooperative's distributable surplus shall be returned in proportion to the volume (amount) of transactions between members and the cooperative, safeguarding members' interests [1].

3. EXISTING PROBLEMS OF MEMBERS' RIGHTS AND INTERESTS

3.1. Ineffective Implementation of Members' Common Rights

Members’ common rights, as the core right to ensure the democratic management of cooper and the collective interests of members, is directly related to the fairness and legality of cooperative governance. At present, the phenomenon of the virtualization of members' rights is widespread in farmers' cooperatives, which is mainly manifested in the weakening of the decision-making function of the general meeting of members and the failure of the supervision mechanism, resulting in the of small farmer members to influence the affairs of the cooperative through democratic participation, and the prominent problem of a few core members dominating decision-making, which seriously restricts the system of "mutuality and democracy" of cooperatives.

3.1.1. The General Meeting of Members is nominal

In the practical operation of current specialized farmer cooperatives, the general meeting of members often exists in name only. Many cooperatives severely lack regular organization of general meetings, with extremely rare convening frequencies and low attendance rates, making it difficult to form an effective group for decision-making participation. More crucially, in the actual power distribution, the board of directors is often firmly controlled by a few core members. Although small-scale farmer members account for the majority in number, they are at a disadvantage in board seat allocation—only a tiny fraction can secure a minimal number of seats, leaving them unable to voice substantive influence in decision-making and reducing them to a marginalized group in the process. This irrational power structure directly leads to the general meeting's failure to fully and truthfully gather the opinions and demands of the majority when addressing key issues, making it impossible to achieve the intended goal of democratic decision-making. As a result, the cooperative's decision-making process tends to prioritize the will and interests of a few core members, severely deviating from the original purpose of democratic management, fairness, and justice.

3.1.2. Obstacles to the Exercise of Supervisory Rights

In terms of information transparency, the financial systems of some cooperatives are highly inadequate. They fail to disclose financial status to members on schedule, and even when disclosed, the information provided is often overly general and vague, lacking critical details such as breakdowns of revenue and expenditure, balance sheet explanations, and fund flow analyses. This prevents members from gaining an in-depth understanding of the cooperative's true operational and financial status, making effective supervision impossible and leaving potential issues and risks undetected, which undermines the cooperative's stable development. Meanwhile, supervisory bodies such as the supervisory board fail to fully fulfill their roles. In practice, these bodies often lack independence and authority, constrained by internal interest relationships, and are unable to perform supervisory functions impartially and objectively. When members identify issues in daily operations, they find no effective feedback channels or resolution mechanisms, severely compromising their legitimate rights and interests.

3.2. Inadequate Protection of Members' Individual Rights

As the core right to realize individual economic interests, the protection of members' individual rights directly related to the economic incentives and financial security of members' participation in cooperatives. At present, there are institutional loopholes and implementation deviations in key areas such as surplus and residual property disposition in specialized farmers' cooperatives, which are mainly manifested in the ambiguity of surplus distribution rules, leading to unstable expected returns for members, and the unclear definition of property and the lack of supervision lead to unfair distribution. This poses a realistic threat to the economic rights and interests of small-scale household members and restricts the cohesion and sustainability cooperatives as a "community of interests".

3.2.1. Difficulties in Implementing Surplus Distribution Rights

As one of the key rights of members in specialized farmer cooperatives, the right to surplus distribution faces significant challenges in practical implementation. First, there are numerous irregularities in the distribution system. In practice, the articles of association of a considerable number of cooperatives have vague, unclear, and unreasonable provisions on surplus distribution, failing to clearly define key elements such as the basis, proportion, method, and time nodes for distribution. This leaves members without clear guidance when it comes to surplus distribution. Second, the lack of transparency in financial information further exacerbates these difficulties. The financial systems of some cooperatives are highly inadequate, with chaotic internal accounting and a failure to disclose financial status to members on schedule. As a result, members cannot understand the cooperative's actual operations and financial situation, making it difficult to conduct effective supervision and evaluation of the fairness of surplus distribution.

3.2.2. Challenges in Safeguarding Residual Property Distribution Rights

The protection of residual property distribution rights has faced severe challenges in the development of specialized farmer cooperatives. The primary issue is the unclear definition of assets. Cooperatives have diverse sources of assets, including members' capital contributions, state financial subsidies, and social donations, but these assets are often ambiguously defined in practice. This directly undermines the accuracy and fairness of residual property distribution, making it impossible to determine each member's rightful share based on clear and reasonable standards. In addition, when cooperatives face dissolution or bankruptcy and need to distribute residual property, the absence of strict and standardized supervisory mechanisms can lead to malicious practices: individual members or managers may embezzle or misappropriate residual property for personal gain through their positions, directly harming the interests of other members.

4. PATHWAYS FOR THE PROTECTION OF MEMBERS' RIGHTS AND INTERESTS

4.1. Consolidating the Protection of Members' Common Rights

To address the previously discussed issue of underutilized common rights, strengthening the protection of members' common rights requires a focus on institutional reconstruction and mechanical innovation. By enhancing democratic decision-making participation, improving supervisory effectiveness, and ensuring information transparency, this approach aims to resolve governance challenges such as decision-making monopolization by a few and supervisory gaps. It ensures members can effectively exercise collective rights such as voting and supervision, solidifying the institutional foundation for democratic management within cooperatives.

4.1.1. Optimizing the General Meeting System for Members

Firstly, a minimum frequency for convening general meetings should be clearly stipulated, for example, at least once per quarter to ensure timely discussion of daily operational decisions. Ad-hoc meetings should be held promptly in the face of major issues or special circumstances. Members must be notified in advance through multiple channels (written notices, text messages, cooperative bulletin boards, etc.) of the meeting time, location, and detailed agenda, allowing them ample time to prepare, fully express their opinions, and enhance participation and the scientific nature of decision-making. Second, the election mechanism for board members should be redesigned. Based on the cooperative's membership composition, election rules should reserve no less than one-third of board seats for small-scale farmer members, which can be achieved by creating constituencies for small-scale farmers or lowering their candidacy thresholds. This ensures that members with different resource endowments have representation on the board, preventing decision-making monopolization by a few, promoting balanced cooperative development, and strengthening members' cohesion and sense of belonging.

4.1.2. Strengthening the Supervisory Functions of the Supervisory Board

Enhancing the supervisory board's functions is a critical measure to ensure standardized cooperative operations. To improve its independence and professionalism, clear eligibility criteria for board members should be established. They must possess knowledge and experience in finance, law, or agricultural management, have no management positions or conflicts of interest, and have received relevant training. Members of the supervisory board should be democratically elected by the general meeting of members to eliminate management interference in the selection process. At the same time, the supervisory powers and obligations of the board's supervisory should be clarified. It should be empowered to supervise the entire process of major projects of cooperative, from project establishment, budget preparation, implementation process to acceptance and settlement, and the board's supervisory should conduct in-depth audits to prevent mistakes, waste, interest transmission. It should also be empowered to propose impeachment of the management team. When the board's supervisory finds illegal and irregular acts or behaviors that damage the interests of members it has the right to propose impeachment to the general meeting of members and provide evidence, urging the management team to correct or start the dismissal procedure, so as to ensure the legal of the cooperative's business management activities and safeguard the common interests of members [5].

4.1.3. Improving the Information Disclosure Mechanism

Regarding the refinement of disclosure content, scope, and timelines, in addition to basic financial reports, important information such as major investment projects and business strategy adjustments should be included. The disclosure should cover all members through multiple channels to ensure accessibility. Financially, reports should be released quarterly or annually, while other critical information must be disclosed within one week to one month after decisions are made. At the time, a diversified information disclosure channel should be established. In addition to bulletin boards and paper reports, the advantages of the Internet platform should be utilized to establish the official website the cooperative, set up a special area for information disclosure, publish various types of information by classification and update regularly; open a public account on the WeChat platform, and push information the form of text, pictures and videos to keep members informed in real time. Through these channels, members can get information timely and accurately, participate in supervision and decision-making, and create a good public opinion atmosphere for the agricultural cooperative cause.

4.2. Strengthening the Protection of Members' Individual Rights

In response to the previously discussed issue of inadequate protection for members’ individual rights, it is necessary to focus on members' core economic interests. By improving surplus distribution rules, standardizing residual property disposal processes, and strengthening supervision over capital contribution rights, this approach aims to overcome practical obstacles such as vague distribution systems, unclear asset definitions, and lack of regulatory mechanisms. These measures ensure that members’ legitimate rights in income acquisition, property distribution, and capital contribution security are effectively protected, solidifying the economic foundation of cooperatives as a "community of interests."

4.2.1. Optimizing the Surplus Distribution System

Firstly, it is necessary to further clarify the specific calculation methods and procedures, accurately calculate the amount and quantity of each transaction when returning based on the of transaction volume (amount), establish detailed transaction record files, and ensure the accuracy of the data. At the same time, appropriately increase the proportion of dividends per share, comprehens consider factors such as the amount of capital contribution, the time of capital contribution, and the long-term support for the cooperative by the members, so as to reflect the nature of mutual assistance and cooperation, and to recognize the contribution of capital contribution. Additionally, surplus distribution plans should be regularly publicized, with member feedback solicited for adjustments and improvements, ensuring members clearly understand the distribution basis. Through these optimizations, members can directly see the close link between their rights and their contributions, encouraging their active participation in production, sales, and other cooperative activities, attracting more potential members, and injecting vitality into the cooperative’s development.

4.2.2. Ensuring the Realization of Residual Property Distribution Rights

When a cooperative is dissolved or declares bankruptcy, distribution procedures and rules should be refined. A liquidation committee composed of member representatives, financial professionals, and legal experts must be established: member representatives ensure members’ interests are voiced, financial personnel handle asset inventory and accounting, and legal experts guarantee compliance with laws and regulations. The committee’s responsibilities should be clearly defined, including detailed registration of assets such as members’ capital contributions, operational accumulations, state subsidies, and social donations; reasonable valuation of assets; and distribution in accordance with members’ equity shares and legal requirements. The general meeting of members should form a supervisory team to oversee the entire liquidation process, preventing internal personnel from embezzling or misappropriating residual property. These measures ensure members receive their rightful shares in accordance with the law when the cooperative terminates, safeguarding their legitimate interests and stabilizing their trust in the cooperative system [6].

4.2.3. Strengthening the Protection of Members’ Capital Contribution Rights

When members contribute capital, invite professional evaluation institutions to evaluate the value of non-monetary capital contributions, as land management rights and agricultural equipment, to ensure that the capital value truly reflects market conditions and actual utility. Meanwhile, a regulatory mechanism should also be built, with dedicated financial supervision positions to regularly review the timeliness of capital contributions, usage, and appreciation of members’ investments, preventing false contributions and misuse of funds. It should be clearly stipulated that during the cooperative’s existence, no member may reduce or withdraw their capital without approval by more than two-thirds of members at a general meeting. In special circumstances where a member needs to adjust their contribution, a written application must be submitted in advance, explaining the reasons and adjustment plan, and processed according to specified procedures only after strict review and approval. These measures ensure the stability of the cooperative’s property foundation and the security of members’ capital contribution rights.

5. SUMMARY

This paper focuses on the protection of members' rights and interests in specialized farmer cooperatives, systematically analyzing the functional positioning of cooperatives in the agricultural economy, the legal connotations of members' rights, and their practical dilemmas. The study points out that as a key link between "small-scale farmers" and the "large market", the healthy development of specialized farmer cooperatives relies on the effective protection of members’ common rights and individual rights. However, prominent issues exist, such as inefficient exercise of common rights (e.g., formalistic general meetings and virtual supervisory mechanisms) and inadequate protection of individual rights (e.g., non-standard surplus distribution and ambiguous residual property disposal). By reviewing the institutional design of the Law on Specialized Farmer Cooperatives, the study proposes countermeasures from dimensions such as optimizing democratic decision-making mechanisms, strengthening supervisory functions, and standardizing distribution processes, aiming to consolidate the legal and governance foundation for protecting members’ rights through institutional innovation and support the steady operation of cooperatives.

Looking ahead, as agricultural modernization accelerates and cooperative models evolve, research on protecting members’ rights can further explore adaptive protection pathways by integrating empowerment through digital technologies, redefining rights in new organizational forms, optimizing the local implementation of laws, and drawing on comparative international experiences in cooperative governance. Additionally, attention should be paid to building members’ capacities and cultivating their awareness of rights, promoting a shift in rights protection from "external institutional supply" to "internal governance awareness". This will help cooperatives play a greater role in rural revitalization and achieve synergistic advancement between members’ rights protection and high-quality agricultural development.

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