

EXAMINING ECONOMIES OF SCALE FOR FARMER COOPERATIVES IN CHINA'S SHANXI PROVINCE

by

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Abstract

China's new cooperatives law took effect in 2007 and resulted in rapid growth in the number of agricultural cooperatives in China. This raises questions about appropriate strategies for growth such as whether or not cooperatives experience economies of scale as they grow. This study examines economies of scale in farmer cooperatives in Shanxi Province; the province that had the fastest growth in the number of agricultural cooperatives in China during 2008-2010. The results indicate that all cooperatives in the sample grew rapidly in their number of members and value of assets between 2008 and 2010. Large cooperatives are found to have an advantage over small cooperatives in terms of economies of scale. The results indicate that when a strategy couples growth with specialization it tends to improve the competitive position of these cooperatives.

Keywords: economies of scale, fruit and vegetable cooperatives, firm growth, China