

# Interest Sharing Mode of Fruit Industrialization from the Perspective of Enterprise

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**Abstract** Firstly, connotation of fruit industrialization is introduced, pointing out that fruit leading enterprise is an important vector of the operation of fruit industrialization, as well as the economic entity for the market exploitation, production and processing, and service offering of fruit industry. Secondly, advantages and disadvantages of the three typical interest sharing modes during fruit industrialization are analyzed from the perspective of benefit sharing. In the organizational mode of "leading enterprise + fruit farmer" in contractual relationship, fruit enterprise plays a major role and is at a dominant position in the negotiation; while fruit farmer is at a relatively weak position, which has seriously frustrated the enthusiasm of fruit farmers. In the organizational mode of "specialized market + fruit farmer" in market transaction relationship, due to the restriction of certain factors, few agricultural enterprises participate in this mode; while fruit farmers are at a relatively weak position. Therefore, this mode can hardly promote the development of industrialization. In the organizational mode of "specialized agricultural association or cooperative + fruit farmer" in cooperative organization pattern, specialized association or cooperative protects the interests of fruit farmers, but neglects the interests of fruit enterprises. Finally, the vertical—horizontal integrated mode is put forward based on the development experience of the world and the actual situation of China, so as to provide guidance and reference for the fruit industrialization in China.

**Key words** Fruit Industrialization, Organization mode, Interest sharing, China

Industrialization development has already become the major mode of fruit industrialization. Industrialization can closely combine the fruit production, processing and marketing together, extend the industrial chain, increase the added value of fruit products and technology content, and further improve the overall efficiency and level of fruit industry. Interest sharing mode of fruit enterprises is the core in industry. Its function and operation mode determine the process and the result of fruit industry. Under the global development of economy and the rapid development of scientific and technological progress, economic restructuring is accelerated all over the world, and the fruit industry in China needs to constantly change its form of production and operation in order to cope with the global challenges in industry, to discuss the interest-sharing mode of fruit industry, and to promote the fruit industry in China<sup>[1]</sup>.

## 1 Connotation of fruit industrialization

Fruit industrialization belongs to one aspect of agricultural industrialization, but its definition of authority is still rare at present. According to the basic meaning of agricultural industrialization in the 1995 *Report on Agricultural Development in China*, fruit industrialization means that based on the fruit planting operator and the market and by relying on processing trade enterprises, the whole process of fruit industry is combined as a complete production system with technology service as the means, so as to realize the integration of planting, storage, processing, production, supply, marketing and trade. Thus, a new operation mode and industrial organization form is estab-

lished based on benefit sharing and risk sharing with the integration of trade, industry and agriculture and the combination of production, processing and marketing, so as to improve the added value and comparative benefit of fruit industry, and to form a development mechanism of self-accumulation, self-regulation, self-development and virtuous circle. According to the content of fruit industrialization, fruit leading enterprise is an important vector of the operation of fruit industrialization, as well as the economic entity for the market exploitation, production and processing, and service offering of fruit industry. The core of fruit industrialization management is the benefit driving of all parties. And fruit operator follows the leading enterprise according to the market guidance and government regulation. Its essence is the risk and benefit-sharing interest community composed of all interested parties, so that every component and element can obtain the management form with average profit of the whole industry. In the industrialization management of fruit, leading fruit enterprise is combined with the fruit grower and the fruit production base in the form of contract, having the significant characteristic of regulating the benefit relationships between the contracting parties. On the one hand, fruit leading enterprise offers specific support and cooperation policies for the base and the fruit farmer, along with the whole course service and the minimum protective price to guarantee the priority of fruit purchase. On the other hand, fruit farmers have to sell fruits to leading enterprises, and both quality and quantity should meet the requirement of contract.

## 2 Benefit sharing mode of the enterprise in the process of fruit industrialization

According to the practice in China and the agricultural de-

velopment in foreign countries, operation organizing style of fruit industrialization can be classified into three modes based on the vertical and horizontal integration of industry development, such as the organizational mode of "leading enterprise + fruit farmer" in contractual relationship, the organizational mode of "specialized market + fruit farmer" in market transaction relationship, and the organizational mode of "specialized agricultural association or cooperative + fruit farmer" in cooperative organization pattern<sup>[2]</sup>.

**2.1 Organizational mode of "leading enterprise + fruit farmer"** Under this mode, contract production mode between fruit leading enterprise and fruit farmer is set up in the form of contract or other mechanism. The two have the relationship of mutual promotion, mutual restraint and benefit sharing<sup>[3]</sup>. Fruit production or trade enterprise has signed contracts, clearly regulating that the enterprise should offer main means of production for fruit farmers, as well as the production and postproduction services, and should purchase some or all the products at protective price. Meanwhile, fruit farmers should carry out production according to the standard of enterprises, and offer qualified product for enterprise according to the agreement. This kind of operation mode can effectively reduce the transaction costs in market searching and negotiation, and let down the transaction risk of market participants, especially the party who is in a disadvantageous position, and increase the profits of production and the transaction of fruit. As for the benefit sharing of this mode, fruit enterprise plays a major role and there are only one or two leading enterprises in a place. Thus, fruit farmers are at a relatively weak position. And fruit farmer in fact becomes the agricultural worker under the monopoly control of enterprise. Enterprise obtains the monopoly profit, which has seriously frustrated the enthusiasm of fruit farmers, easily destroys the interest relationship between enterprises and peasant households, and reduces the stability and efficiency of the operation of this mode.

**2.2 Organizational mode of "specialized market + fruit farmer"** Under this mode, enterprises and fruit farmers together establish special production bases with no real contract. And the transaction is usually conducted based on market rules. The existence of fruit professional market reduces the market searching and transaction cost of related parties, and promotes the regionalization, specialization of fruit production areas and the enhancement and promotion of production technology. As for the benefit sharing of this mode, transaction between the fruit farmer and the purchaser appears to be conducted in accordance with fair market rules. However, due to the asymmetry of message, the specialty of fruit products, and the weak position of fruit farmer, the transaction is usually dominated by the purchaser. Moreover, due to the loose organization and the absence of contract, few of the fruit enterprises like to participate in this mode, which can not ensure a stable market profit, and can hardly promote the industrialization development of fruit industry.

**2.3 Organizational mode of "specialized agricultural association or cooperative + fruit farmer"** Under this mode,

scattered fruit farmers are integrated by the cooperatives based on contract and interest mechanism, so as to concentrate the land, labor and capital, to realize information sharing, and to produce scale effect and scope economy through technical support. The main task of specialized association or cooperative is to process and sell fruit products, to provide technical support, and to buy means of products. Members in cooperative can obtain dividend payment or transition profit from the cooperative. This mode improves the position of fruit farmers in market transaction, protects the interests of fruit farmers, so that they can share all the interests in the whole industrial chain. However, as for the benefit sharing of this mode, specialized association or cooperative mostly plays its role in a certain procedure, and is likely to have monopolistic tendency. This mode protects the interests of fruit farmers, but neglects the interests of fruit enterprises. Since fruit enterprise plays an important role in marketing and deep processing, this mode reduces the influence of fruit enterprise and hinders the industrialization of fruit enterprise.

The three modes mentioned above are designed from the aspect of horizontal integration or vertical integration of industry, which pay attention to a certain procedure in the industry chain, the interest improvement of enterprise and fruit farmers, and the monopoly in the interest distribution. but in fact, the interests of all parties need to be protected and enhanced during the process of industrialization. We should not systematically let one party in a weak position. The equal participation and competition of market subjects require the mature industrial development model and market rule. Practice of market economy has reached a certain level in China, demanding a corresponding pattern of industrial development. Especially, the core of this mode, interest sharing, should be taken as the key issue.

### 3 Design of interest sharing mode based on the fair competition of enterprise in the process of fruit industrialization

Under the background of economic globalization, the key of economic development is to cultivate the competitiveness of fruit industry, which is also the only way to develop the world's fruit industry. According to the development of fruit industry in the world, most companies adopt the operation mode of "enterprise + fruit farmer". But with the development of fruit trade all over the world, higher requirement for this mode is put forward<sup>[4]</sup>. Reducing the production and management costs, as well as improving the technology content and added value of fruit products, has become the major route to improve the competitiveness and the overall efficiency of fruit industry. According to the actual situation of China, the main objective of fruit industrialization is to improve the overall efficiency and the level of fruit industry. In other words, through the development of industrialization, planting, processing and marketing of fruit are combined organically in order to organize production and operation according to the requirements of large scale, high quality, specialization, technicalization, internationalization and marketization, to improve the quality of fruit industry, and to pro-

mote the overall development of " Three Agriculture Problems" . Therefore, this requires that the economic activities of fruit farmer and enterprise should make a breakthrough at the limitations of traditional concept and practice, and a new mode should be established creatively to meet the needs of times development and to adapt to new challenges.

According to the framework of industrialization, complete vertical—horizontal integration is an ideal and integrated model. As a new industrialization development mode, its main operation idea is to form a joint owned entity of enterprise and specialized cooperative or cooperative, so as to turn the relationship from competition to cooperation, to realize the benefit sharing and risk sharing, and to let the government make macro-control policy<sup>[5]</sup> (Fig. 1).

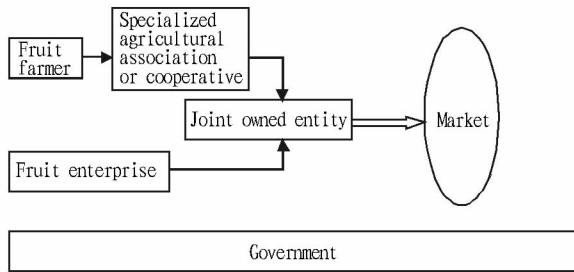


Fig. 1 The vertical—horizontal integrated industry mode

### 4 Conclusion

The vertical—horizontal integrated mode ensures the interests of both the fruit farmer and the enterprise, stabilizes the source of goods for enterprises, helps to produce high-quality fruits, ensures the sales market for fruit farmer and cooperative, safeguards the legitimate interests of all parties in the market, and forms a sound development mechanism with mutual promotion. Therefore, this mode is a useful exploration for the fruit industrialization in China at the new historical stage. However, selection of interest sharing mode during the process of fruit industrialization should be considered synthetically according to the main objective of a region or a country at different

times under different conditions, so that a suitable path of scientific development for development goal and actual situation can be found out.

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overcome the attitudes of pursuing for profits, to give play to the subjective initiative, and to actively explore the development path for cooperative organizations.

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