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# **Agric. Econ. – Czech**

**Wang H.H., Park J.W.,  
Baker T.:**

**Contracting,  
negotiation, and the  
policy change: The  
conflict between  
Korean farmers and  
their agricultural coo**

Agric. Econ. – Czech, 57 (2011): 467-  
473

Farmers- owned agricultural cooperatives  
should have the same interests with their

farmer's interest. However, the operating team of the cooperatives may have different interests. Under this situation, the terms of contract between farmers and cooperatives are important to both sides. Farmers' share of the cooperatives' profits specified in the contracts is an important issue in the long-term sustainability of rice processing and marketing in Korea. This paper discusses the behavior of farmers and their cooperatives in determining the optimal share of profits in their contracts. It also illustrates the impacts of the policy changes due to the Korea's accession to the WTO on the relative negotiation power between farmers and cooperatives. The results show that the Korean rice cooperatives have more negotiation power than farmers. They set the profit share to farmers based on their own profit maximization criteria, while taking farmer supply decision into consideration. Farmers only choose how much to supply. This relationship was seen