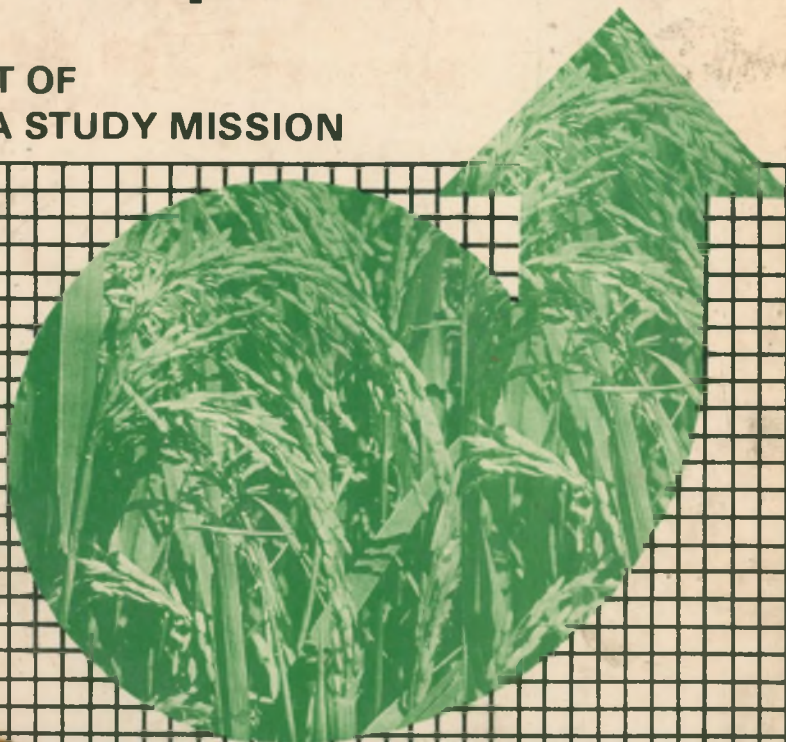


CHINA

Perspective and Project planning for Agricultural Cooperative sector

REPORT OF
THE ICA STUDY MISSION



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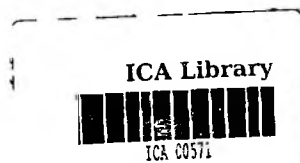


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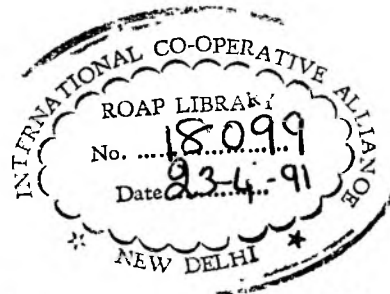


**Perspective and Project
Planning for Agricultural
Cooperative Sector in China**
(Gansu Province)

Report of the ICA Study Mission

Compiled by
Guo Yong Kang

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1924

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Foreword

China accounts for the largest individual cooperative membership in the world today. Even though we do not have the exact number of individual members in all types of cooperatives in China, the membership in 32,000 supply and marketing cooperatives alone accounts for more than 140 million. Then there are other types of cooperatives like credit cooperatives, rural industrial cooperatives, handicrafts cooperatives, etc. India, which is the second largest country in population after China, has an individual membership of around 150 million. China and India jointly cover about 40% of global cooperative membership. However, if we take agricultural cooperatives alone, the membership of primary agricultural cooperatives in India is only about 90 million.

Cooperative Movement in China started more or less the same time as in many other countries of Asia, i.e., the beginning of the present century, though the cooperative law in China came much later than many other countries in Asia. The first Prime Minister of India, Pandit Jawaharlal Nehru, who was a firm believer in cooperatives, had studied cooperatives in China and was very much impressed by it in the early 40's which strengthened his belief in the relevance and potentials of cooperative institutions.

The presence of strong cooperatives in the Chinese economy is a product of both cooperatives historical growth in China and the deliberate policies of the government as in many of the developing countries, particularly after the emergence of the Peoples' Republic of China in 1949. As in India, the year 1900 witnessed the creation of credit cooperatives which were followed by the development of agricultural marketing cooperatives. Later on, consumer cooperatives were organised in urban areas during the '20s. During the period 1930-40 industrial cooperatives were organised. However, the first Cooperative Law in China was enacted in 1935 only. Intensive member education and staff development programmes were undertaken by these cooperatives.

One striking feature of post-1949 cooperative development was the acceptance of the strategy of the Government that cooperatives together with the State should participate in national reconstruction efforts. Almost 80% of the Chinese population is engaged in agricultural sector. It was thus considered logical that this major chunk of population participates in the process of agricultural production and its distribution. Thus the post-1949 period witnessed the growth of collective farming, communes and the agricultural supply and marketing cooperatives. This was a major trend in the Chinese economic development. Although the programme was based on considerable thought considering the small holding and social philosophy of the Government,

yet there were also inherent management problems. The economic transformation and cooperation growth had to counter with enormous difficulties in view of the farmers only mastering technical skills of administration, leadership, accounting and even literacy slowly resulting into over-centralization and rigid Government controls.

In the mid-1950s "elementary cooperatives" were set up, comprising 25-40 households. The individual peasants retained private ownership of their land and means of production. By 1955, more than two-thirds of China's farmers had joined such cooperatives. The economic results, however, were not keeping pace with the national plan objectives. The government thus gave another thought to the expansion of cooperatives. The number had gone to almost 750,000 cooperatives.

The after-math of Cultural Revolution and subsequent political and economic upheavals, the State decided "never to return to the old economic mode characterized by over-centralized, excessive and rigid control". This was intended to emphasise economic democracy and instal the process of decentralization. The Constitution of China states that "the State protects the lawful rights and interests of the urban and rural economic collectives and encourages, guides and helps the growth of the collectives economy". This indicated that the State permits cooperatives to play their part fully in the process of national development. However, this did not necessarily lead to decentralization and democratic working of the cooperatives. However, after 1978 the primary level supply and marketing cooperatives regained their autonomy and paid dividends which were withheld during the Cultural Revolution period. This was a period of consolidation and re-emergence of supply and marketing cooperatives in the country. The Movement was reorganized and the number was reduced from 35,000 primary level cooperatives in 1983 to 32,000 by 1990 with a total membership of 140 million.

There were 2,010 secondary level federations which were also federated into 28 regional federations at the provincial level. The national level organisation called the All-China Federation of Supply and Marketing Cooperatives operated as a strong national body with headquarters in Beijing. Also the cooperatives became free to elect their own leaders and officials and not necessarily the nominees of party in power or Government officials. The democratic structure at all levels has now been restored. Almost 60-70% of farm inputs are supplied by these cooperatives besides undertaking other functions e.g., distribution, retailing, industrial products wholesale activities, processing enterprises, storage and transportation services.

These and other related developments emerged through a process of evolution. The path to development is slow and not smooth. It requires the participation

of people and collaboration with the State to achieve development objectives. China is the largest country with more than a billion population and with a lot of potential for development. The Chinese Cooperative Movement has passed through the mill and the steps taken by the Movement are worth a careful study and analysis. They can provide the sister-movements in this region with a lot of valuable lessons. The Perspective Planning Mission fielded by the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) in 1989 thus was "to assess the level of agricultural cooperative development" has done a remarkable work in identifying the areas which need to be worked on for a balanced growth of agricultural cooperatives in China. The mission was also given the task "to assist the Gansu Provincial Union of Supply and Marketing Cooperatives to formulate long-term plan, policies and strategies for agricultural cooperative development in Gansu Province". These tasks were broad, heavy and demanding. The ICA Mission, as I could see through its report, has done a lot of work in collecting relevant information and compiling it in a systematic manner for the benefit of the Chinese Cooperative Movement as well as for those who are interested to know more about the potential which the Chinese Cooperative Movement offers to others.

The cooperative structure in China covers some of the major sectors e.g., agricultural cooperatives, supply and marketing cooperatives, credit cooperatives, rural industrial cooperatives, handicrafts cooperatives, self-help enterprises (cooperatives) and the processing/production cooperatives. Cooperatives in China in the rural areas are of multipurpose type thus enabling the cooperatives and their members to diversify their activities and gearing themselves to new and additional potentials. Although the Mission aimed at studying the supply and marketing cooperatives with a view to formulate and present perspective plans and strategies for them, the areas like setting up cash-crop oriented fruit farms or orchards, tourism and consumer activities were also considered. Keeping in view the multi-interest development of supply and marketing cooperatives, the ICA ROAP structured the Mission in such a way that various disciplines were available for consultation and advice. The composition of membership of the Mission thus covered besides an overall development of cooperatives, laid special emphasis also on consumer cooperative development, agricultural cooperative development, human resource development and the economic activities of cooperatives.

The aim of the ICA ROAP was not to suggest a plan of development for the Chinese Cooperative Movement. It is not the aim and objective of the ICA to produce development plans for any movement. The main intention was to provide technical assistance and support to the Chinese cooperative leaders in preparing development plans for them. The cooperation, collaboration and

support extended by the Chairman, Mr. Pan Yao and Secretary-General., Mr. Yang Deshou of the ACFSMC (a member organisation of the ICA) in coordinating the study is very much appreciated. The contributions made by the Director of the GPUSMC and his technical staff were extremely valuable. The most useful information for the study was provided by the members of rural cooperatives and the government officials dealing with cooperatives at the local level. Without their support and collaboration this Mission would not have been successful.

In the preparation of this document I am grateful to the members of the Study Mission for presenting the ICA ROAP and the ACFSMC with a comprehensive information. I thank my colleagues, Mr. Karl Fogelstrom, Senior Development Advisor and Mr. Guo Yong Kang, Agricultural Cooperative Development Advisor of the ICA ROAP for having gone through the various documents, editing the information, putting the entire matter into a synchronized manner and thus making it useful for the cooperative leaders, workers and scholars.

G.K. Sharma
ICA Regional Director
for Asia and the Pacific

Bonow House, New Delhi.
March 04, 1991

General Introduction

In accordance with the recommendation of All-China Federation of Supply and Marketing Cooperatives (ACFSMC), the ICA Perspective Planning Mission was carried out in Gansu Province, China, during the period 3-24 September 1989 in close collaboration with ACFSMC and Gansu Provincial Union of Supply and Marketing Cooperatives (GPUSMC). The mission consisted of four members, e.g., Mr. Sten Dahl, Cooperative Development Advisor and Head of Planning, Research and Consultancy Project of ICA ROAP; Mr. Upali Herath, Human Resource Development Advisor and Consumer Cooperative Development Advisor of ICA ROAP; Dr. Alfred Bretschneider, Cooperative Development Consultant to the Cooperative Union of the Philippines; and myself. The general objective of the Mission was "to assess the level of agricultural cooperative development and assist the GPUSMC to formulate long-term plan, policies and strategies for agricultural cooperative development in Gansu Province".

In October 1989 the Mission members drafted their respective observation reports which were coordinated by Mr. Sten Dahl, Head of the Mission. As a follow-up of the recommendations made by the Mission, I went to Gansu Province to conduct a workshop on project feasibility study in December 1989. 25 cooperative leaders participated in the workshop. Four project feasibility reports were considered suitable for further development and implementation. These were : (i) Orchard plantation project; (ii) Rainbow trout breeding project; (iii) Grape plantation project; and (iv) Cooperative tourism development project. These projects and the main draft of the Perspective Planning Mission report were discussed with the leadership of the GPUSMC. A number of useful points emerged. It was also felt that the mission report still lacked some information and certain gaps noticed which were to be filled in. Accordingly, I took the advantage of my presence in the area and collected additional information and carried out further discussions with the local leadership. Upon return from Gansu Province the material was translated from the Chinese language into English and the relevant information included in the main mission report.

In order to follow-up the ICA Perspective Planning Mission, Mr. Karl Fogelstrom, Senior Development Advisor of ICA ROAP and myself went to China to hold discussions with ACFSMC and GPUSMC in October 1990 and formulated the programme to follow-up the perspective plan. Additional and latest data and documents were collected which were related to the mission report. On the basis of the previous report and the collected latest data, we have now systematically finalised this report.

The present report attempts to give a clear picture of the level of agricultural cooperative development and the potential areas, policies and strategies for future development of agricultural cooperatives in Gansu Province. As we know, China has a relatively centralized planned economy. The plans, policies and strategies of the cooperatives in China are closely linked with the plans, policies and strategies of the government. There is very close interaction between the two. Therefore, it is necessary to analyse the government policies related to the cooperatives and analyse the history of Chinese cooperatives as a whole so that we can understand the present situation of agricultural cooperatives and the future direction of agricultural cooperative development in Gansu Province, China. This report has, indeed, been structured on these above mentioned lines.

This report also intends to provide the readers and cooperators an insight into the working of present-day agricultural cooperatives in China.

Guo Yong Kang
Agricultural Cooperative Development Advisor
ICA ROAP

Bonow House, New Delhi.
March 04, 1991

Acronyms

ACFSMC	:	All China Federation of Supply and Marketing Cooperatives
APRACA	:	Asian and Pacific Regional Agricultural Credit Association
GPUSMC	:	Gansu Provincial Union of Supply and Marketing Cooperatives
ESCAP/UN	:	Economic and Social Commission for Asia and the Pacific of the United Nations
FAO/UN	:	Food and Agriculture Organisation of the U.N
IACPP	:	Integrated Agricultural Cooperative Perspective Plan
IBRD	:	International Bank for Reconstruction and Development
ICA	:	International Cooperative Alliance
ICA ROAP	:	ICA Regional Office for Asia and the Pacific
ILO	:	International Labour Organisation
MATS	:	Mutual Aid Teams
UNDP	:	United Nations Development Programme

1. Introduction

1.1 Background

The International Cooperative Alliance Regional Office for Asia (ICA ROA) Sub-Committee for Agriculture at its meeting held on 23 July 1985 in Kuala Lumpur, Malaysia recommended that the ICA Regional Office should sponsor a Study Mission to Indonesia, Malaysia and the Philippines during 1985-87 to properly assess the levels of development and "to assist the movements to identify areas of needs and to develop suitable programmes for strengthening agricultural cooperative efforts". Perspective Planning Missions to the above countries and Thailand have since then been carried out. Similarly, an ICA exploratory Mission to China in November 1988, recommended that Perspective Planning for Agricultural Cooperatives in one province would be undertaken jointly by ICA and the All China Federation of Supply and Marketing Cooperatives (ACFSMC). The details were worked out in conjunction with the ICA ROA Regional Council meeting in May 1989 in Seoul, South Korea and in June the Secretary General of ACFSMC recommended the study to be undertaken in Gansu Province. The Mission was carried out during the period 3-24 September 1989 in pursuance of these recommendations.

1.2 Organisational Responsibility

The Study Mission was of an exploratory nature and carried out by the ICA Regional Office for Asia in close collaboration with the ACFSMC and the Gansu Provincial Union of Supply and Marketing Cooperatives (GPUSMC) and its affiliates, the government ministries and departments concerned at both national level and provincial levels. The ICA provided the below mentioned expertise and paid for all their costs:

- Mr. Sten Dahl, Cooperative Development Adviser and Head of Planning, Research and Consultancy Project of ICA ROAP, Head of Mission;
- Mr. Upali Herath, Human Resource Development Adviser and Consumer Cooperative Adviser of ICA ROAP, Member of the Mission;
- Mr. Guo Yong Kang, Agricultural Cooperative Development Adviser of ICA ROAP, Member of the Mission; and
- Dr. Alfred Bretschneider, Cooperative Development Consultant to the Cooperative Union of the Philippines, Member of the Mission.

The GPUSMC provided the following local experts as counterparts to the ICA ROAP team and mobilized the necessary support from its affiliated organisations and relevant Government departments and authorities:

- Mr. Gao Pengcheng, Deputy Director, GPUSMC;
- Mr. Liu Chengzhi, Director of Economic Research Institute of GPUSMC;
- Mr. Liu Dingqi, Chief of Production Division, GPUSMC;
- Mr. Wang Dawei, Deputy Chief of Business Division, GPUSMC;
- Mr. Bai Xiaoping, Deputy Chief of Education Division of GPUSMC; and
- Mr. Han Chuangzhong, Deputy Chief of Production Division of GPUSMC.

The work of the Study Mission is detailed in Paragraph 6 below. Costs for local transportation, salaries, interpretation and other support services during the period 6-21 September that the Mission spent in Gansu Province were the entire responsibility of the ACFSMC and GPUSMC.

1.3 Terms of Reference

The terms of reference of the Study Mission were as follows:-

- i. to identify the problems and needs of farmers and farmers' cooperatives in the context of existing cooperative structures as well as past agricultural and cooperative development trends;
- ii. to outline future opportunities of development within the next 10-15 years and specify cooperative development possibilities, strategies and policies for a Five Year Period in the context of the Provincial Plans;
- iii. to suggest specific areas in which cooperative development projects may be formulated to give effect to proposed cooperative development strategies; and
- iv. to formulate at least one/two projects in the areas of most critical importance for cooperative development.

It was anticipated that the Perspective Planning Mission for the Agricultural Cooperatives in Gansu Province (PPMAC) would assist in initiating the preparation of a long term development plan for the integrated agricultural cooperative development in the province, with the parameters laid down by the national and provincial development plans. Such a plan would include among other aspects the following :-

- (a) Agricultural Production and sideline activities with a view to ensure among other things, enhanced utilization of human and land resources;

- (b) Streamlining and improvement of agricultural produce marketing;
- (c) Identification of the potential for improvements of existing and establishment of new agro-processing and industrial activities;
- (d) Members' participation in cooperative planning and operations and their educational needs;
- (e) Training of managerial and technical personnel to sub-serve the perspective plan;
- (f) Improvement of information channels and technology for agricultural cooperatives and their members, e.g. through computerization of various administrative routine and technical operations. Operations of this nature would possibly include the setting up of e.g. a provincial level data bank, etc;
- (g) Strategies for mobilization of members' savings and build up of capital within the cooperative sector, by the cooperatives and for the cooperatives;
- (h) Identification of priority areas as well as possible and specific project activities;
- (i) Possibilities of establishing proper monitoring and evaluation systems, which would provide data, statistics and crucial information for effective management decision making;
- (j) The role of women and youth in cooperative development;
- (k) Strategies for development of Fisheries Cooperatives;
- (l) The role of agricultural cooperatives in economic development especially in regard to government's efforts to raise GNP and the role of the cooperatives in income distribution;
- (m) The need to increase farm incomes and means to achieve this and the need to strengthen cooperatives and cooperative structure at all levels; and
- (n) The need for agricultural cooperatives to diversify from present level agricultural activities to export-oriented agricultural products and in this context the need for feasibility studies to identify suitable areas for such diversification.

The mission also endeavoured to define suitable partners in trade activities as well as potential joint venture parties for the purpose of implementing the Integrated Agricultural Cooperative Perspective Plan (IACPP) that is later to be worked out on the basis of this Mission Report.

1.4 Composition of the Study Team

The members of the Study Team were as follows:-

- (a) The Cooperative Development Adviser in the ICA ROAP, Head of Mission;
- (b) The Human Resource Development Adviser in the ICA ROAP, Member of the Mission;
- (c) Agricultural Cooperative Development Adviser in the ICA ROAP, Member of the Mission;
- (d) External Consultant to the ICA in Economic Government Affairs and Organization;
- (e) Experts from the Gansu province in the field of Agriculture, Members of the Mission; and
- (f) Interpreter required.

1.5 Support Provided by ACFSMC

For the work of the Mission, the ACFSMC secured the necessary concurrence and support from the national government ministries and departments concerned with agricultural cooperative development.

During the introductory period in Beijing the Mission was guided and introduced to the socio-economic, cultural, agricultural and cooperative conditions both in China as a whole and in Gansu Province by the following officers of the ACFSMC:

- Ms. He Lanchai, Deputy Head of International Department and
- Mr. Rong Jun, International Department.

The ACFSMC together with the Agricultural Cooperative Adviser of ICA ROAP also arranged a proper programme of visits and discussions with international and national agencies as well as agricultural cooperative organisations.

The ACFSMC/GPUSMC also made available the following:

- Interpreters;
- Research officers with adequate knowledge in agricultural cooperative movement and statistics;
- Certain secretarial assistance;
- Expertise in the various fields under study i.e. within the fields of agricultural production, cooperative training, credit and savings, processing, manufacturing marketing and exports by agricultural cooperatives.

1.6 Methodology

The following methods were used for collecting data, analysis and for drawing conclusions and recommendations.

- All necessary secondary data was collected and used from reports, publications and literature issued or published by ACFSMC, GPUSMC, ICA, FAO, ILO, UNDP, IBRD, ESCAP, APRACA, provincial and national planning bodies, relevant government ministries, departments, para-statal organisations, agricultural banks as well as cooperative training institutes, universities, national cooperative organisations and other organisations that ACFSMC deemed relevant.
- Visits and discussions were carried out with appropriate officers in the above organisations.
- Visits were thereafter made to selected rural areas and agricultural coops/farmers organisations and meetings and discussions were held both in Beijing and in Gansu Province for the purpose of primary data collection and securing of first hand information.
- Based on the data collected, the Study Team has prepared a report outlining past developments, present situation, projections for the future, the conclusions and recommendations as per the terms of reference.
- On the penultimate day of the Mission in Gansu discussions were held on the principal conclusions and recommendations with the representatives of the member organisations and the Government departments concerned with agricultural cooperative development. A similar briefing and discussions were also held with the Secretary General and his staff of the ACFSMC in Beijing before the departure of the Mission.
- It is the hope of the Study Mission that a Coordinating, Planning and Monitoring Committee will be set up under the auspices of ACFSMC and its counterparts in Gansu Province to pursue such related tasks on a continuing basis.

1.7 Limitations

- (a) *Time* : The tasks for the Study Team were two-fold, viz. (i) Study for Perspective Planning, and (ii) Project Identification, both of which are large tasks. The time available for each of these tasks was a little over one week only. Hence the possibility for the Study Team to make sufficient number of field visits and collect detailed primary data was limited.

- (b) *Manpower* : The ICA ROAP was with effect from 13th July 1989 operating the Planning, Research and Consultancy Project which together with the Agricultural Cooperative Development Project had the responsibility for the Study Mission in addition to its normal functions. It was also necessary to request for assistance from an external consultant. The Human Resource Development Adviser of ICA ROAP was fortunately able to participate himself in the Mission.
- (c) *Funds* : The Study Mission was also carried out within a limited budget.

1.8 Expectations

After completion of the Mission Report it is expected that the ACFSMC will play, on a continuing basis, a major role in the follow-up and implementation of the conclusions and recommendations of the Study Mission and in mobilizing necessary internal resources for the purpose. The ICA on its part will attempt to assist in the development efforts, wherever possible.

The ICA ROAP will if necessary also assist in finding resources from external donor agencies or other potential parties for the purpose of implementing the Integrated Agricultural Cooperative Perspective Plan (IACPP).

2. The General Economic Development in Post-War China and Present Trends *

This report focuses on development potentials of cooperatives in the Gansu Province in northwestern China. To assess the situation properly, the general conditions in the society for economic, entrepreneurial activities and the government's relationship to cooperatives have to be analyzed and presented.

The economic development in post-war China is characterized of abrupt changes from one set of extremes to other extremes with opposite ideological content. In between these more clearly perceivable changes, a number of tendencies and trends can be noticed. These minor "waves" sometimes go in the opposite direction of the bigger more officially marked turn-arounds. These circumstances make it difficult to summarize the economic development over several decades in a few pages. Another complicating factor is that the implementation in practice of formal policy changes may have been less articulate due to a certain "inertia" in political and administrative structures, even though some major changes are being carried out without delays.

It should be noted that often the ideological debate seem to have focused more on the choice of means, for example, economic policies and organizational structures, than on basic political values, even though some of the means which have been advocated and used have, no doubt, far-reaching impact on the population's living conditions and on the lives of individuals, and thus have great value implications.

It may be of some help to try to identify certain periods, during which the same policies were mainly in power.

2.1 The First Five-Year Plan Period (1953-1957)

The first economic plan of then New People's Republic set up as strategic objectives :

- gradual socialistic industrialization,
- gradual socialistic transformation of agriculture,handicraft (light industry) and capitalist industry and commerce,
- Gradual improvement of People's living standards on the basis of a developing production and raising labour productivity.

* This Chapter is to a large extent based upon the Book "China's Economy Year 2000" compiled by Liu Guoguang, et. al. New World Press, Beijing, 1988.

In the implementation of the plan priority was given to the heavy industry and a corresponding expansion of agriculture and light industry, concentrating financial and material resources on major capital constructions projects and balancing between investment needs and improving the material living standard of the people.

Most of the targets were reportedly achieved; the national production and income increased significantly, labor productivity improved as well as people's income and welfare. The development strategies were therefore considered acceptable. The average annual growth rate was reportedly 10.9%.

2.2 The Period of the Great Leap Forward (1958-1960)

Instead of consolidating the earlier promising steady progress, a strategy of rash advance was introduced. It built very much on a "mobilization of the masses" and use of the huge labor resources for all kinds of construction projects. The Great Leap Forward was one of the three political banners; the other two were: "The General Line" and "The People's Commune". Priority was given to developing the economy at a high speed, particularly the steel industry. A key word was "hastened collectivisation" of among others the agricultural production. Capital constructions by the state were further expanded and mass movements were vigorously launched.

The production of grain was reduced as well as of light industry consumer products. It was quite clear that the harsh collectivisation drive was premature considering peasants values and attitudes. In 1960 there were some attempts made to patch up for the worst excesses but both agricultural production and the national income continued to fall and people's living standard was reduced.

2.3 The Period of Readjustment (1961-1965)

A number of readjustments and consolidations were undertaken, resulting in many productive proposals; one was to make agriculture the primary foundation of the national economy, followed by light industry and heavy industry given a lesser priority. People's living conditions were to be given more importance. Capital constructions were consequently cut down, while the forefront of agriculture was strengthened. A "three level system of ownership" of the production means in the agricultural sector was introduced; that is production teams as the basic unit with production brigades and communes.

The response was positive: the agricultural production value increased by 11%, the industry production by 18% and the national income by 15%.

People's income increased and their living standard improved again. The annual growth rate during 1963-65 was reportedly 15.7%.

2.4 The Period of 10 Years of Internal Turmoil (1966-76)

The earlier measures of readjustment were considered by the leading voices of the government as adversary to the accepted political and ideological principles. Undue emphasis was put on "fast development" and continued expansion of the heavy industry. Consequently, the growth rate during these 3rd and 4th Five-Year Plan periods were reportedly 9.6% and 7.8% respectively before consideration of inflation.

In late 1976 a number of political appointees in higher government positions were exchanged. The moderate factions were again in power and reactionary forces were ousted.

2.5 The Reform Years (since 1977 upto now)

The following years seem to have been concentrated on consolidation of the authority of the government. Many of the changes were seen as attempts to ensure the continuation of the reforms until the end of the century. The concrete results of these efforts were the fundamental changes in the development strategies, formalized at the 3rd Plenary Session of the 11th Central Committee of the Communist Party in 1978 and further refined during the next following years.

The following years showed significant changes in basic political and economic policies and strategies. At 6th Plenary Session of the Central Committee of the Communist Party in September 1986, which adopted a detailed resolution on "the guiding principles for building a socialist society" which redefined the general ideology to provide a theoretical basis for the modernization program and the "open door" policy.

The reformistic policies were supported by significant improvements in all important sectors of the economy. The annual growth rate during 5th Five-Year Plan period (1976-80) was reportedly 8.15%.

2.6 The Sixth Five-Year Plan Period (1981-1985)

In the decade between 1981 and 1990 the task was seen as laying a solid foundation, accumulate strength and create the necessary conditions for continued progress. The 6th Five-Year Plan period should therefore be devoted to implementing the principles of readjustment, restructuring, consolidations and improvement and focusing all economic work in the

attainment of better economic results. The economic structure in various fields should be adjusted, existing enterprises streamlined, technical transformation in selected enterprises be carried out as well as a number of initial reforms, wherever necessary and possible.

The rate of economic growth was not expected to be very high, possibly a progressive increase of 4% in the gross value of industry and agricultural production.

2.7 The Seventh Five-Year Plan Period (1986-1990)

The following plan period was foreseen to continue the earlier reform tasks and the growth rate could be expected almost the same or slightly higher, 6-7%.

2.8 The Decade Between 1991-2000

With a solid foundation laid during the 1980's an all around upsurge in China's economic construction is expected, to result in a progressive annual growth rate of more than 8%. These increase would affect people's income and living standards significantly.

2.9 The Economic Reform

The economic reform comprises policy changes within many areas, for example, political and administrative structures of the agricultural sector including ownership and use of land, financing, marketing and price as well as foreign relations as expressed in export and import trade, foreign investments, etc. Each of these changes has had a significant impact on all economic sectors but particularly on the agricultural sector and subsequently in rural life, peasants' incomes and welfare. The measures taken by the government are spread out over a period of more than 10 years.

The reform period is still going on, with sometimes small but important changes, often cautiously tried out on an experimental basis and introduced under close monitoring and with a pragmatic basic attitude of the leaders, prepared to revise those decisions which do not turn out successfully.

The economic reform began in late 1978. The first step of the reform was to eliminate such features of the "commune system" which hampered the initiatives of peasant laborers. One measure was the "Responsibility Contract System" which would both improve the central macro-economic planning and monitoring and provide for incentives at each lower level to promote increases in production. Consequently a democratization took place

in form of decentralization of decisions down to the level which was best fitted to make them. The reform was thus oriented towards two main problem areas :

- i. the continued development of economic resources, and subsequent production results in agricultural, industry, transportation, energy, etc., and
- ii. the design of political and administrative structure which resulted in the best possible outcome as concerns production results and production structure.

A new system has been introduced in which diverse forms of economy and operation are allowed to exist side by side. The state sector of the economy serves as the main body and the market plays a supplementary role of regulation on the premise of unified planning.

Aside from this principal acceptance of the market forces in production, marketing and pricing, a household contract responsibility has been introduced in the rural areas, a system which links directly to output. In the industry sector, about 80% of factories and mines are vested with certain powers of decision in planning, purchasing and marketing products, distributing profits and appointing/dismissing middle-level executives. Many commercial enterprises are working under "contracted operative responsibility" system.

In 1988 the gross national product in comparable prices increased by 11.2% over 1987 and the national income by 11.4%. The output of grain and cotton however dropped by 2.2% and 1.1% respectively; the total agricultural value yet increased by 3.2%. The quotas of grain purchase were also basically fulfilled nation wide. The overall labor productivity industrial enterprises was up by 9.3%. Consequently the majority of the urban and rural population reportedly enjoyed improved incomes and a better living standards.

All these developments were seen as proofs that the policy changes introduced at the 3rd plenary session of the 11th Central Party Committee in 1978 were correct and beneficial for the county and the people.

The reform of the economic structure was pushed forward during 1988. The contracted managerial responsibility on all levels was improved further. Enterprises were therefore vitalized. Markets for commodities, funds, technology, labor services and foreign exchange were expanded. At the same time the "macro-planning" at central levels were enhanced; the government's control over finance, taxation, banking, pricing, etc. was tightened. In the relation to the outside world, the "open door policy" was deepened and resulted in an increase of the export by 24.4% as compared with 1987; with manufactured products taking a large portion. The international tourism to China increased considerably and a large number of new enterprises

with foreign investment were established, in form of joint ventures or in the special so called export zones.

The economy grew however at an overheated speed and various types of commodities were scarce in relation to the purchasing power, which led to a conspicuous inflation and excessive price hikes. General price index for national retail prices increased by 18.5%.

The overheating of the economy was seen as a consequence of a too optimistic view on the expected production increases. Too many capital investment had been started all over the country surpassing the supply of construction materials.

The situation was considered - like in any Western economy - and require a number of measures to reestablish the economic balance:

- Cooling down the overheated economic development and reduce the speed;
- Curbing inflation to reduce it to significantly lower than in 1988;
- Curbing investments in fixed assets, and preventing consumption funds from growing too rapidly;
- Keeping total demand from outstripping total supply, bringing about a basic balance in finance, credit, materials supply and foreign exchange;
- Readjusting the economy in order to increase considerably the output of grain, cotton, edible oil, and other major farm products and easing the strain on the supply of energy, transport services and raw and semi-finished materials; and
- Establishing and improving necessary economic statutes and macroeconomic control and supervision system and bringing about a new order of socialist commodity economy.

In consequence of these targets, the State Council carried out a number of general measures, among others :

- Reduction in 1989 of total investments in fixed assets by 21% compared to 1988;
- Exclusivity for only banks to make loans;
- Control of loans offered by financial institutions;
- Tightening of the money market and currency issuance;
- Reduction of institutional consumption by 20% in 1989;
- Strict control of wages;
- Stimulation of private persons to save money in banks;
- Measures to increase the supply of essential products like grain, other

major farm and sideline products, manufactured goods of everyday use, textile, light industry products, as well industrial products used in farming, goods that can recover a considerable amount of currency, or earn foreign exchange, transportation services and energy;

- Separation of economic activities from political ones, that in closing down or reorganizing about 20,000 companies organized under ministries;
- Tighten price-controls and set price-ceilings for certain products; and
- More attention to tax collection.

2.10 The Agricultural Sector in the Readjustment Programme

In the readjustment of the economic structure, agriculture is being a privileged position. Agriculture was seen as the weakest link in the national economy (as of April 1989). For stabilization of the overall economic situation agriculture was seen as the necessary base.

Good harvests of major farm products, such as grain, cotton and oil yielding crops, as well as a steady rise in other crops and in forestry, animal husbandry and fishery was seen as vital. To encourage the peasants to produce more grain and cotton, the State Council increased the government's purchase price for grain by 18% as of April 1989. Increases in the cotton purchase price were also decided for the forthcoming harvests. In order to encourage higher production the price of grain was increased, chemical fertilizers and diesel oil were supplied at fixed subsidized prices and advance payments were made more efficient.

Despite general government budget reductions, it was decided that central financial authorities would increase funds for agricultural investment, including forestry and water conservation, local governments were instructed to do the same.

An agricultural development fund should be set up to promote a steady increase in agricultural investments. Before the fund was well established the agricultural bank and credit cooperatives were instructed to increase their loans for agricultural purposes. More than 97 billion yuan would thus be made available for new agricultural purposes. However, the peasants are expected to be mainly self-financing. The State is only supposed to "help them shake off poverty and become prosperous".

The contract responsibility system with remuneration linked to output and the household as its managerial mainstay is still considered a positive development, and was foreseen to be stabilized and further improved. Only in a few places,

where conditions permit and people agree'' fairly large-scale can be gradually introduced.

Rural enterprises are further considered having far-reaching significance to agricultural production, increased income of the peasants, more jobs for surplus labor and accelerated growth of the national economy. But they should engage mainly in the processing of farm and sideline products, the production of raw and semi-finished material, production in support of urban industries and production of export articles. And this sector is supposed to raise the funds for investments on their own. They cannot count on any extra support from the State like the peasants.

An even harsher treatment was offered to the processing industry. Its growth is to be strictly controlled as it is considered to have grown too fast in the past. It will now have to keep in line with the growth of agriculture, raw material, energy and transportation services. The too fast growth has caused not only an overall strain on the supply of farm produce, energy, raw material and transportation services, but also impaired the effective utilization and rational allocation of limited production resources. Due to the big demand, the quality has also often been inferior and the incentive to economize on materials have been small.

A stricter control is therefore foreseen of the textile and other light industries but also of those which consume large quantities of grain, energy and other materials in short supply. Production of more farm machinery for use in the rural areas should however be encouraged.

Of certain interest for the agricultural sector and the peasants is that education funds for 1989 were to be increased by 15.4% compared to 1988. This is true also for educational funds outside the agricultural budget.

3. The Agricultural Development - Goals and Targets

From 1952 to 1981, that is in 30 years, the value of the agricultural production increased 2.8 times. In 1982, the increase was 11% compared with the proceeding year. The output of cereals, cotton, oil, pork, beef and mutton had all doubled during the same 30 year period.

The general target set for China's economic development up to year 2000 is to quadruple the average value of industrial and agricultural production. This requires approximately, a yearly increase of 4.7% for the remaining 18-19 years. If the same average annual rate of increase, which was achieved between 1979 and 1981 can be kept through all forthcoming years, that is 5.7%, the production value in agricultural could increase three times.

A number of various factors, have to be attended to for reaching this target. One is a need to "develop a diversified economy while paying close attention to grain production". This will raise the production of the agricultural sector but should not be allowed to reduce the grain production under required minimum supply. Another factor is that fruitful integration and balance must be obtained between agriculture, industry and commerce. That is, the industry must be capable to deliver needed farm equipment so that the agricultural productivity can be improved and everybody's food requirements can be met. The commercial networks must be able to distribute the farm produce at low cost so that farmers can get improved income to enhance their living standard.

Animal husbandry has not made much headway in China; the output of animal husbandry accounted in 1981 for only 15.4% of the total value of agricultural production. It may be quite profitable to expand animal husbandry in the existing pasture areas, make full use of barren hills and mountain slope for both cattle and sheep and even build new pasture bases to support meat and milk production. An output value of animal husbandry accounting for 25% of the gross value of the agricultural production by the year 2000 is considered quite feasible, presumed that necessary support and information is provided.

Sideline production has traditionally provided a valuable supplement in rural areas to income from farming activities. In 1982, such sideline production work accounted for 18% of the value of agricultural production produced in smaller factories. Various types of food-processing is common, for example, canning of farm produce, processing of wool, leather production, knitting of woolen products, etc. and other by-products of animal husbandry but also

other more independent activities like handicraft and other light industry production.

Three various types of such supplementary processing industries are being mentioned :

- i. Industries for processing materials supplied by agriculture, forestry, animal husbandry and fisheries;
- ii. Factories directly producing goods to be used in the agricultural activities, for example, fertilizer, fodder, tools, farm equipment, repair services, etc.; and
- iii. Small factories and mines using local materials, for example small coal pits, brick stone and chinaware factories using clay, furniture shops using wood and other local materials, etc.

In 1981 such factories mostly run by people's commune and brigades accounted for 11% of the gross value of the total industrial production.

An important condition for the successful small-industrialization of the rural areas and at the same time rationalization and later mechanization of the agricultural sector is well functioning commercial channels which can handle the proper distribution of products in both directions. Supply and marketing cooperatives have an important role as well as local market places where local products can be made available to neighboring consumers at a low cost.

Modernization and mechanization are two common concepts in agricultural discussions. "Modernization" can be defined as "the use of modern agro-technical system by introducing mechanical, biological and other techniques". It does however not imply that the most advanced techniques always are the most desirable; scope contents and methods of the "modernization" must be based on actual conditions, which may vary between regions in the same country. It is, for example, considered wrong to resort in most areas of China to the sort of mechanization which involves the use of huge farm machines and requires huge investments, which may be the most advantageous approach in countries with vast land areas and a small population. In China light duty farm machines are more needed than big ones, particularly in mountainous areas or where the plain areas are few. Multi-crop cultivation in combination with scientifically proven plowing techniques to preserve the often very vulnerable humus layers may be another expression of "modern techniques" in a balanced combination with traditional wisdom. A proper combination of advanced biological techniques and a sound genetic research may further increase the productivity; even though there are many discouraging examples of a non-considerate hybrid technology which has enabled super high yields in the first years but requiring expensive irrigation facilities, been supersensitive for insect and pest attacks and therefore required high doses of both insecticides

and fertilizers - materials which have caused serious damage on the environment, including the top soil and living organisms around like fish, husbandry and even humans. To use modern possibilities to increase the yield requires also a knowledge about when enough is enough and when "there is too much of everything" which will backfire within short.

In the past, insufficient attention was paid to the relationship between farm machine and agronomy. It is recommended that the development of farm machines is adapted to the requirements of different types of land and different crops, and to the needs of intensive farming. The time is not considered ripe in China for making it a key task to introduce universal mechanization into agricultural sector.

A mechanization on "selective basis" is therefore recommended. This may mean that for example, in Northwest China, where there is an abundance of land but a scarcity of people, an increased mechanization may be justified as it can bring more wasteland under cultivation. In other regions, where labor is plentiful but the acreage limited, all increase of light-duty, multi-purpose and low-cost farm implements for irrigation, fertilizer application, plant protection, threshing, processing and transportation is justified.

Organizational arrangements like collective ownership of such farm equipment which is too expensive or has too large capacity to serve only single farmers may be of as great importance as the technical invention it self. Farmers cooperatives can here play an important role to make a lot of equipment available to single farmers who otherwise would not have this opportunity. Likewise cooperatives and similar "farmers associations" may have an important educational influence on their members and offer opportunities for exchange of experience and transfer of new knowledge from the outside world. Farmers education and training in modern farming technologies is thus an important factor in efforts aiming at enhancing agricultural productivity.

The contract responsibility system represents another important factor in the Chinese agricultural system, as it encourages the farmer to strive after the best solutions of production problems and also gives him the satisfaction of making decisions on his own as much as there is an intrinsic value for him to achieve results which otherwise would be out of reach.

It is emphasized in the literature that the responsibility represents "a new form of operating the socialist collective economy based on the public ownership of the basic means of production".

The responsibility system does thus not negate the public ownership and the collective economy. A peasant who has contracted farm land is thus seen as a member of the collective economy and the contracting household as an operational unit in the collective economy. On the basis of public ownership

the collective - be it a cooperative or another form of association -is still expected to perform certain functions such as overall planning and various arrangements. The responsibility system is thus defined as :

“A form of operation, in which the rights and obligations with respect to production, purchase and distribution between the collective which owns the basic means of production and (on the other side) the household which uses the means of production, are explicitly laid down in form of a contract. Thus, the contracting household, though operating independently is still closely associated with the collective and still follows the principle of Socialist Cooperative Economy”.

With the independence in operations follows that it is up to the farmer himself to make all connected decisions, for example, buying farm animals, seeds, implements and even machines. This freedom of choice has led to the occurrence of so called “specialized household” which have chosen to concentrate on certain products which earn a higher income than common farm products. Examples are fruits, grapes, mushrooms, etc. production which has made some of the farmers rich into millionaires. Such specialized households are encouraged by the Government as they contribute to the diversification of the agricultural sector. They account for 10 - 20% of all farm household. Such richness, earned through own work is not considered to be negative in the reform ideology.

Another part of new developments within the reform ideology is to encourage all new forms of coordination, cooperation and association between household, cooperatives and other groups - as long as the purposes are legal. The desired impact is more open markets, more open availability of various types of services and better utilization of all kinds of investments.

The development of the earlier supply and marketing cooperatives into multi-purpose cooperatives and all types of cooperation with joint venture, government enterprises, farmers association can be seen as one example of this development.

4. The Cooperative Sector in Chinese Economy

4.1 The Present Situation

The cooperative sector plays today an important role in the Chinese economy, as one of the three main sectors; the other two are the government sector and the private sector. In some areas, cooperatives dominate for example, in marketing of farm produce and supply of farm needs, covering about 70-80% of the markets. In some areas the cooperative sector is even given formal monopoly rights for example, in buying cotton from farmers and providing fertilizers to farmers.

4.2 Pre-War Cooperative History

The present strong representation of cooperatives in Chinese economy is a product of both cooperative history in China and deliberate policies of the Government, particularly after the foundation of the People's Republic in 1949.

As early as around 1900, Cooperative Credit Societies were organized in Northern China (now inner Mongolia). Later agricultural marketing cooperatives were widely organized in cotton-growing regions. Based on indigenous forms of mutual aid and with their roots deeply imbedded in Chinese soil, small-scale farmers way back in history further used to pool their scarce resources in some kind of cooperatives to compensate for shortages of draft animals, implements and manpower, particularly during sowing and harvesting periods. All these type of cooperatives gradually convulsed the rural areas into multi-purpose cooperative providing a multitude of services to their members. In urban areas, workers and students formed consumer cooperatives in the 1920. The first cooperative law in China was promulgated in 1935, after a national cooperative conference. During the 1930 and 1940, when the country was under the pressure of invading foreign troops and civil war, industrial cooperatives provided for the war efforts and the farmers with arms, tools and consumer goods.

This network of industrial cooperatives also provided a lot of cooperative education and training, as cooperatives were expected to play an important role in the rebuilding of post-war China.

4.3 Cooperatives in Post-War China

The most striking feature of immediate post-1949 development was the clear consensus that cooperatives should be the major instrument for achieving the transition to a socialistic economy. A second major characteristic feature of the post-war Government policies was to focus on enlisting the peasants in rebuilding the nation. This was different from, for example, the Russian concentration on urban industrial workers, but easily understandable, as in China the peasants constituted and still constitute the major part (about 80%) of the population.

The need for a cooperative approach in agriculture was further emphasized by the passage in the mid-1950's of the land Reform Act, which redistributed to landless farmer more than two-fifths of the total cultivated land in China. The fragmentation of farm land into tiny holdings, which were scattered and economically enviable required some kind of collective cooperation and use of this new land to ensure productivity. Economic indivisibilities made such small farms unable to make use of "economies of scale". The new family based small plots could not make full use of neither available labour nor could they finance necessary farm equipment and machinery. Similarly, the collapse of the former credit system, which had been based on rich landlords called for new credit systems.

These two basic problems, the land user structure and the credit needs appear to be permanent problems still plaguing the agriculture in China until today, and cooperatives or other collective associations still seem to be the best way to solve these problems.

A key word in the government policies during the initial period was therefore "gradualism". Main stages in the cooperative element of the revolution were expected to be : (a) Mutual Aid Teams (MATs); (b) Advanced Agricultural Producer Cooperatives (APCs); and (c) Communes. The MATs evolved gradually out of the traditional temporary spontaneous seasonal teams of three to five household for cooperation during sowing and harvesting. The MATs however requested the setting up of permanent year-round teams of six to seven households. A more developed form, particularly in northeast China, was the continued mutual aid teams comprising two to three MATs to facilitate mechanization and large-scale cultivation. Another aim was also to accustom peasants to collective labor and the planned establishment of advanced agricultural producers cooperatives.

In the mid 1950's "elementary cooperatives" were set up, comprising 25-40 households. The individual peasant retained however private ownership of their land and means of production. By 1955, more than two-thirds of China's farmers had joined such cooperatives.

The earlier MATs were merged into large agricultural producer cooperatives; at first made up of 25-40 families, often the usual population of a village, later expanded to enroll 125 families and finally even up to 400 households. The purpose was to stimulate the rural productivity, by creating larger and more effective planning units, by promoting rationalization of land use and use of mass labor for large-scale capital constructions. Another intention was to impose a higher rate of savings under state control to be used for major investments like water conservation (irrigation) projects, reforestation, road construction and general mechanization.

The farmer coop members were paid according to fixed rates for their working hour input based on norms for various jobs. Formally, the cooperatives were managed democratically, that is by officers elected by the members at the general assembly. Part of the new cooperative structure was an expanded social welfare system for the farmers, sufficient food, clothing, housing, fuel, education, medical care and funeral expenses were guaranteed by the cooperative. The welfare funds for these programmes were however often too small to fulfill this commitments as they were dependent on a small percentage (2 percent) funding of the cooperative's net profit. The reforming of the cooperative sector was considered completed in 1958, then covering the whole peasant population. The wanted increase in agricultural production did however not materialize; partly due to psychological factors, as the farmers were not prepared to change to collectively run big farming enterprises. There was also common discontent, as the farmers income had been drastically reduced, when they had to give up their private plots and various sideline income. A general conclusion is that the size of the agricultural production units was too big for the available management resources and went far ahead of the psychological preparedness of the farmers to accept collectively run farms. There was a serious imbalance in the efforts to socialize the agricultural sector.

Despite the warning signs indicating a serious imbalance in the agriculture, the forced collectivisation was accelerated in mid-1957. This was partly a consequence of experienced grain shortage, need for more investment funds for the industry development and a remaining belief in large collective organization, and an exaggerated and unrealistic belief in collectivism as such, without considering the actual situation and real factors of importance. The former about 750,000 advanced agricultural producers' cooperatives were now further forcibly merged into some large-sized 26,000 communes. The purpose was the same - mass labor mobilization and intensive infrastructural investments.

The commune concentrated on managing industrial and commercial activities and essential economic and social services; it owned heavy machinery and bigger factories. Common services included health education, credit and

banking. The commune further administered two levels of activity : (a) production brigades - owning light machinery and some small factories, workshops and the land; and (b) production teams - owning tools and craft animals and performing the farming tasks.

Prior to 1958 the township government was the lowest level of local government in rural areas. Several townships formed a county, which with other counties formed a province. Under each township government was a number of agricultural producer cooperatives, compiling up to a few hundred households, performing the economic function in the area.

In 1958, however, the formation of the huge communes usually at county level, embracing several villages or townships put both political and economic function under one institution. This had a bad non-intended impact on the agricultural production. It became however increasingly apparent that this merging of political and economic functions had serious consequences for both economic efficiency and democracy.

Likewise, the light industry cooperatives ("handicraft") which had been merged into huge centralized factories and processing plants experienced the "pervasive influence of State paternalism". They sold at prices fixed by the State to State owned commercial bureaus which then distributed to retail outlets without reference to market forces. They operated under State institutions and applied for budget allocations. Whether they realized losses or profits, had little effect on what amounts the factory was to pay out in form of salaries and wages. Managerial appointments were political and seldom based on democratic member elections. One negative consequence was an overemphasis on quantity of output to the detriment of quality and variety; other ones were hoarding of labour and materials and wasteful vertical integration.

Tentative steps were taken in 1962 to correct the biggest excesses of the Great Leap Forward: the size of communes was reduced, private lots were allowed again and rural markets were reopened. Material incentives were again upgraded, and supplementing the ideological ones, cash allowances were introduced and fringe benefits in kind reduced; the authority over production decisions and financial policies were delegated to brigades and teams, acting as the basic accounting units, as owners of agricultural land and capital, as planners of production and as distributors of income.

4.4 The Impact of the Cultural Revolution

The countryside was still organized mainly in three levels: The basic level was the team comprising some 4-5 households; being the production unit for crops, livestock and sideline activities owning most of the land and organizing

the productions. Each day farm workers were organized into informal task groups. More permanent work groups were also set up for specialized projects.

The brigade level comprised 25 - 30 households, most of them based on the township, that is the administrative village. They were usually in charge of small individual enterprises and all welfare functions like schools and clinics. The commune level embraced on the average 1,000 people but some up to 100,000. It was an integrated political and economic unit; the commune took care of planning, organized construction works and enterprises. Being the lowest level of the local government, it maintained hospitals, educational institutions, other infrastructure facilities and local utilities. The commune could also trade with the State institutions like Government Agencies.

The negative impact of the Cultural Revolution on the agricultural sector was brought to open light: the amalgamation of political and economic authority had brought the country's economy close to the brink of bankruptcy. The over-centralization and excessive politicisation led to serious management inefficiencies. Consequently, the living standard had been unchanged or in some cases deteriorated.

4.5 Cooperatives in the Reform Period

The improvement of the country's economy was given a priority. Means were chosen pragmatically, for example, enlisting market forces, providing material incentives to individuals to stimulate work efforts and productivity. Economic democracy with more autonomy for collectives/cooperatives and even individuals was seen as a desired side-effect. The changes in government policies represented a shift back to a mixed economy comprising both collective/cooperative forms and private elements alongside with State control and specific enterprises. This has been characterized as a tripartite system or "the distinctive Chinese path to Socialist Democracy". Among the measures taken in 1978 and later to reform the economic and political structure were :

- Separation of political and economic functions. Efforts in this direction were started in 1979; and
- The Responsibility/Contract System. Under the responsibility system "everyone - from an enterprise's manager to the worker - knows his responsibility, is given the means to perform his duties and is remunerated in relation to his achievement".

This was intended to increase the productivity. The use of the contract system meant at the lowest production-level in agriculture that the individual household/farmer was contracted to produce a certain targeted quantity and quality and was paid in accordance with the produce which he actually

delivered and not according to the number of working hours. In the rural areas, the most important collective institution became new the production team, more or less equivalent to the early elementary cooperative.

As of 1982, 70 percent of all rural production teams had contracted to household the management of the farm land. The individual households, are members of various types of cooperatives and enjoy the services of them and are affected by their decisions. For example, land and major equipment are collectively owned even when allocated to individual use. Installations like water reservoirs, forests and enterprises are likewise collectively managed. Cropping patterns and production methods are subject to cooperative planning and guidance. This strong cooperative influence is motivated by the "economy of scale" in farming and the political ideology of the constitution.

The Constitution of 1978 restored the right to private plots and sideline activities were allowed, gradually reaching 15% offerable land as of 1982.

Individual households were again free to engage in any activity of their own choice, provided it did not conflict with collective production, damaged natural resources or constituted speculation or hoarding. This freedom included owning of machinery and draft animals, borrowing from banks and accumulation of capital.

As of 1985 some 90% of all oils and about 50% of sheep and goats were raised by households. So called specialized households carried out certain production under contract with cooperatives. In 1983 13% of the rural households were engaged in such specialized commodity production. Livestock and poultry-raising was one common area, others were growing of cotton, oil seed, hemp, mulberry trees, tea, sugar, vegetables, tobacco, fruits, handicrafts, etc.

Thus, a certain "division of labour" developed between large-scale operations and such small-sized production which is best carried out intensively with few investments in machinery.

Two types of Contract Systems are mentioned in the literature; one, where the cooperative provides for material, technology, etc. similar to "contract-growing" in the West. The household acts more independently and its relation with a cooperative is to supply the produce to a Supply and Marketing Cooperative or a cooperatively armed processing plant. The specialized households usually adopt scientific methods and generally achieve greater labour productivity and earn higher income than the ordinary peasant families.

"Contracting according to ability" was another novelty which meant that a household was allowed to exceed the general maximum size of contracted land, provided it showed good production results. The legitimacy of the rural private markets (sometimes misleadingly called "rural fairs") were reassumed

in 1978 and 1979. This meant that most agricultural produce from private plots and sideline activities now could be sold at market prices in urban areas. While the farmers still had to supply certain contracted quotas of grain and oil to the State grain shops, grain and seed above the quota could be marketed by the farmers through a number of channels, like for example; Supply and Marketing Cooperatives, direct to consumers as well as to institutions like government agencies, schools, and factories. The farmers were also allowed to sell surplus produce in other provinces. One effect was free market movements and price adjustments, removing the basis for earlier exploitation of local-market scarcities. Another effect was an increased integration of economic units at various steps of the production chain, resulting in higher productivity and production volume and quantity.

The reform also meant significant changes in the banking structure. The Central Bank, People's Bank of China, was assigned a positive, active regulatory role, supplemented by a number of specialized banks, like the People's Construction Bank for large-scale industrial investments and the Agricultural Bank, operating in rural areas. Another major change was the increased responsibility placed on enterprises for funding their own investments and re-investments. Enterprises were encouraged to set aside reserves for financing replacement of obsolete or worn-out equipment.

The acceptance of the market as the decisive factor in determining production quantities and prices, opposite to earlier administrative decisions and to facilitate a smooth transition from earlier pricing system to market controlled prices which will not cause any sudden returns to earlier economic policies characterized by central decision-making, etc, even though there are warning signs in form of an overheated economy with indications of a running inflation in certain sectors.

A summarizing conclusion is that the Economic Reform and its expressions in form of present Government policies have come to stay for quite a long time ahead.

5. The Cooperative Sector in China of 1989

The Chinese "collective" sector comprises six various types of cooperatives ; in the rural areas - agricultural, supply and marketing, credit and rural industries; in the urban areas - handicraft (light industry) coops, and coops founded by the unemployed. Supply and marketing cooperatives are also serving urban populations through department stores, hotels and restaurants and other service institutions.

5.1 Government Policies on Cooperatives

The Constitution of the People's Republic of China states that "the State protects the lawful rights and interests of the urban and rural economic collectives and encourages, guides and helps the growth of the collectives economy".

The Central Party Committee further pointed out in its decision on "Reform on the Economic Structure" that collective economy is an important factor in the socialist economy, and we can give the collectives a free hand in running enterprises in many areas of production and construction"

5.2 Agricultural Cooperatives

Under the earlier commune system, the activities now undertaken by agricultural cooperatives were handled by the "production teams." An agricultural cooperative is thus often based on a small village, comprising 20-30 households with about 50-80 members. It owns and controls most of the land in the area. It may still receive from the local government certain quota to supply to government purchase bureaus or agents. production matters are self-managed and self-controlled by its members. The State administration may be represented by a cadre guiding the members' education, but not involved in any economic matters. Under the new responsibility system the agricultural cooperatives operate through contracts with individual households. These contract are signed by the State Government Agency which works out the plan for rural production. The cooperative contracts out land to the peasant households, which in turn commit themselves to deliver certain quantities of certain produce, like grain, cotton, etc.

For the growing of such produce which is not under the government quota system no quotas are agreed upon; the arrangement is rather like a common rental of a farm in any Western country, as concerns production relationship. In the beginning of the reform period contracts were awarded for only one

year at a time. To encourage the farmers to maintain among others, the long-term fertility of the soil, the contract period was later extended to 15 years or longer. It is now also possible for a peasant household to transfer contracted land to another household, subject to the approval of the local community leadership.

5.3 Supply and Marketing Cooperatives

Rural supply and marketing cooperatives were set up in the early 1950 to assist the farmers in providing farm inputs like seed and fertilizer and in marketing the produce. They were founded by the peasants themselves under the auspices of the State. In 1951, the national union was established, the All China Federation of Cooperatives including also light industry (handicraft) from which in 1954 the All China Federation of Supply and Marketing Cooperatives (ACFSMC) broke off and established its separate federation.

The primary level supply and marketing cooperatives gradually lost their character as farmer-controlled organization. After 1958, they were re-organized and put under State-ownership within the commune structure. The National Federation of Supply and Marketing Cooperatives became a government office, handling about 40% of the farm produce which was purchased by the State. After 1978, however, primary level supply and marketing coops have regained their autonomy and settled their outstanding accounts with the members by paying dividends which had been withheld during the Cultural Revolution.

These reborn supply and marketing cooperatives had in 1983 a total membership of 140 million individual farmers, organized in 35,000 primary level cooperatives, mostly at the commune level with supply and marketing stations or at least agents in every village - 11,000 of these cooperatives operated above county levels in form of management organizations and wholesale units.

At the secondary county levels there were 2,010 federations further united into totality 28 regional federations at the province level, with the ACFSMC in Beijing as the national apex organization.

As of 1989, 85% of the Chinese peasants were members of Supply and Marketing Cooperatives with a consolidated capital of 2.5 billion yuan and total funds of 30 billion yuan, with an annual turnover of 130 billion yuan through more than 700,000 business units and a work force of over 4 million people.

The democratic structure at all levels has been restored. At the primary level, farmers became members by purchasing shares but irrespective of number of shares owned, the one man one vote rule is applied. After deduction of taxes and certain reserve funds, the surplus is distributed to the members in

proportion to the number of shares owned; in some cases dividends are also related to the extent of patronage of the coop in form of purchases of inputs. Main staff and managers are now again being elected or appointed by the members of the annual general assembly.

Similar procedures are being used in the appointment of managers at secondary and tertiary levels. The relationship between the various levels within the cooperative structure and their relationship to the Government at central and local levels are discussed below in connection with the situation in Gansu Province.

About 60-70% of the farm inputs are supplied by the SMC of which seeds, fertilizer and fuel are the most important ones. The Supply and Marketing Cooperatives further expanded their activities to include a lot of new functions quite different from the original ones. Aside from the 2,200 trade centers, there are 60,000 agricultural and sideline products distribution centers, 470,000 retail shops, 26,000 industrial products wholesale centers, 15,000 processing enterprises and 6,500 storage and transportation services. The SMC sector is also engaged in waste material collection through 24,000 stations as well as catering and social services through 90,000 centers.

The SMC's have further been assigned by the government to be the exclusive purchaser of cotton from farmers. This is being done through 14,000 purchasing stations or collecting centers supplemental with 2,500 cotton ginning mills, whereas the SMC handles 90% of all cotton produced in the country.

Secondary and tertiary level SMC's also provide financial support to their members, often in form of interest-free loans for one or two years to be used for development projects, infrastructure development, etc.

The SMC structure further provides for and financially supports education among their members and cooperative employees. A large number of 8 national and 100 regional and local research institutions are also being administered by the SMC sector.

The fast and strong development of the SMC sector can be seen as an active response to the State Government reform policies to develop the market mechanisms at all levels and to minimize the earlier heavy government interference in economic decisions.

The relations between Government institutions and the SMC at the highest level is characterized by the State Council determining general principles for the activities but leaving it to the cooperative structure itself to make the decisions to implement these principles.

Similarly, at the township/village level the local government decides on, for example, the quota targets for grain to be supplied by the cooperatives but leaves it to the contracted household to decide on the production itself.

Within other non-targeted product areas, the cooperatives exert their autonomy by deciding themselves on what to produce and how to do it. Even then, certain consultations between the Government institutions and the cooperatives are undertaken.

The strong endorsement of the SMC by the government is also illustrated by a number of favors given to the cooperatives, for example, certain guaranteed supply of fertilizer fuel and other input materials sometimes at subsidized prices, as well as tax privileges etc.

The SMC sector which basically represents the farmers and the rural population has also been given the responsibility to establish the necessary linkages between the farmer's supply institutions and retail marketing of consumer products in urban areas. This is being done through, for example, SMC owned retail stores in city areas.

The high priority attached to the independent operations of supply and marketing cooperatives is evidenced by the various measures of government support from which they benefit. The Government guidance of the cooperatives in China also seems to be soundly concentrating on providing substantial economic and administrative support to the cooperatives and staying away from controlling the cooperative structure through petty legalistic and bureaucratic control - a situation which is not rare in many non-socialistic development countries.

The new situation which has infused choice into marketing and supply of farmer input goods and produce, however also represents somewhat of a threat for the supply and marketing cooperatives. They have lost a lot of their earlier monopolistic market situation. Many new independent cooperatives being formed by specialized rural producers cooperatives are now allowed to procure their input needs from other sources; they are also allowed to dispose of their produce through a number of channels. This requires that the present supply and market cooperative structure sees to it that their services are competitive, likewise, on the retail market side, the department stores of the supply and marketing cooperatives for consumer goods are now subject to competition particularly in urban areas, from private vendors and small-scale enterprises which are allowed to sell directly to final consumers. These changes represent both threats, challenges and opportunities for the management of the present supply and marketing cooperatives.

5.4 Credit Cooperatives

The rural credit cooperatives which were assimilated in to the state banking structure during the Cultural Revolution became subsidiaries of the Agricultural Bank.

The restoration of the full autonomy of the now 55,000 credit cooperatives and their 31,000 sub-agencies with more than 200,000 field offices and about 350,000 employees appear to have been slower than for other types agricultural cooperatives. One indicator is that they do not have any independent national apex federation, with the Government-armed Agricultural Bank acting as the apex organization for the credit cooperatives.

5.5 Rural Industrial Cooperatives

A wide-range of small-and-medium-sized industries are administrated by local governments. They may engage in processing of farm produce, produce construction material, farm tools and offer repair services of farm machinery.

In 1981, some 1.3 million rural enterprises at township or village level absorbed about 10% of the local labour force and generated about 33% of the local collective income or 11% of the total national industrial production. Most of these enterprises were small, with an average of a little bit more than 20 workers.

The link between the local government and the cooperatives has often been "production contract" similar to those used in the agricultural sector. Various forms of "joint ventures" between such enterprises and farm household and agricultural cooperatives have also been encouraged. Another link to the farmers is that these have been encouraged to purchase dividend-paying shares in such enterprises, which also give voting power in the enterprises.

5.6 Handicraft Cooperatives

The "handicraft" cooperatives produce all types of goods ; 60% of the output is intended for household use, for example, clothes, furniture, hardware, toys and electrical appliances. Only a few cooperatives are engaged in arts and crafts production. As of 1982 there were 62,000 such cooperative "handicraft" enterprises accounting for over 40% of total national output of the light industry and employing about 6.5 million workers.

The national body, All China Federation of Handicraft Cooperatives is mainly engaged with supervision of lower cooperative levels. Similarly, provincial federations do not engage in direct management of enterprises; they are often represented at district and county levels.

By 1955 the handicraft cooperatives had about 4.5 million members benefitting from a lot of government assistance. In 1958, however, during the Great Leap Forward, more than 100,000 cooperatives were closed. Another 20,000 were liquidated during the Cultural Revolution and their federations were abolished. One impact was a considerable reduction of consumer goods supply and reduced income for the rural population.

In 1978 this trend was reversed and the establishment of such cooperatives was now encouraged. They were again permitted to place the production according to market demand - within the general guidelines of the Government. Federations at various levels were reinstated. The Cooperative was further allowed to retain up to 70% of their profits after taxes.

The Government influence on marketing and pricing is limited to certain products to be supplied to the government sector. Other products can be sold in a way the cooperative itself decides upon - through self-owned retail shops, through supply and marketing cooperatives, government-owned shops, private shops or to export markets. The prices are in these cases set by the management of the cooperatives under market influence.

The democratic handicraft cooperatives has been restored. There is member participation in management decisions. Workers/ employees are often members of trade unions, with the function to guard their interests and to educate them.

5.7 Self-Help Enterprises/Cooperatives

In 1978-1979 so called neighborhood committees in urban areas added to their common social functions assistance to unemployed youth to find jobs. The establishment of producer cooperatives was encouraged with government support. By 1980 some 500,000 workers had found jobs through such cooperative enterprises engaged in light industry production, repair services, transportation, etc. By 1982 more than 12,000 government endorsed Labor Service Companies had assisted in establishing 58,000 production and service networks and contributed to create jobs for 1.3 million people. In addition 1.6 million casual labourers had been organized; labor service teams provided professional training for 320,000 people. These efforts from outside the cooperative sector in organizing cooperatives and educating the prospective members illustrate the great importance of such efforts.

5.8 The Role of Coops in the Country's Development

Cooperatives in rural areas play an important role in the country's economy. This is exemplified by the fact that most of the farmer's produce is marketed

through cooperatives and that most of their production needs are supplied by often the same cooperative. Also their household needs may be met by a cooperative store - owned and controlled by themselves. Through the larger economic base which unions and federations offer at county, provincial and national levels, the individual farmer may indirectly benefit from subsidized farm inputs, like fertilizers and be guaranteed a sure supply. He may also take advantage of the interest free loans national and provincial unions offer for development investment and he may send his children to cooperative schools, partly financed by the same cooperative organizations, or participate himself in their training courses on cooperative matters or agricultural issues.

This is just a short description of, how much the cooperative structure in China affects a common farmer's life - and may even do it more in a near future with increasing cooperative initiatives in setting up rural processing plants for farm produce, extending cooperative services to include also, among others services, health services, etc.

It is quite justified to conclude that the cooperative sector in its capacity as "the third sector" in the society already plays an important role in the Chinese future. The importance of cooperatives for the development of the Chinese Society is emphasized, when the general democratization process - part of the reform - continues. The cooperatives will then get an even broader role, beside the present dominating economic one, namely to contribute in fostering the people and promoting cooperative values and principles consolidating the economic, political, social and cultural foundation of the society.

A closer study of the objectives and priorities of the reform program shows clearly the privileged position which is being given to agricultural cooperatives as concerns financing and other types of support from the State. The future is therefore quite bright for the agricultural and rural cooperatives. It means that there are funds available for relatively large infrastructural investments in agricultural, for example, water irrigation and reforestation. The future however also offer challenges, not only opportunities. One such is the increased competition for supply and marketing cooperatives, which requires adjustment and adaptation to consumers' demand as concern retail stores. To serve customers, be they urban or rural citizens, more flexibility in product choice is probably necessary. This requires skilled staff and calls for upgrading of skills through training etc. also management techniques in general may need to be developed. Emphasis on education and training is required for the next decade.

6. Gansu Province

Gansu Province, simply called Gan or Long, is located in the north-western part of China, between longitude 92.13° and 108.46° east and latitude 32.31° and 42.57° north. It belongs to the Yangtze River valley, the Yellow River valley and the inland river valleys. It is bounded in the east by the Ningxia Hui Autonomous Region, and Shaanxi Province, in the south by Sichuan Province, in the southwest and west by the Qinghai Province and Xinjiang Uygur Autonomous Region, in the north by the Inner Mongolian Autonomous Region and the People's Republic of Mongolia.

Gansu is a multinational province vast in territory. It is various in natural conditions and rich in natural resources. It covers an area of 454,000 square kilometers, making up 4.7% of China's total. With a narrow geographic shape, it is 1,655 kilometers long from southeast to northwest and the width is different, varying from 530 kilometers to 25. The vast area to the west of Lanzhou, which is in the shape of a long double gourd bordering on the Qilian Mountains in the south and the Inner Mongolian Plateau in the north, is known as Hexi Corridor.

By the end of 1987, Gansu Province has a population of 21.034 million. The main nationalities in Gansu are the Han, Tibetan, Dongxiang, Tu, Yugu, Baoan, Sala, Manchu, Kazaka and Mongolian, of which the Han accounts for 92.1% and the minority nationalities account for 7.9%. The Hui nationality has a population of one million, Tibetan over 300,000 and Dongxiang 230,000. Dongxiang, Yugu and Baoan minority nationalities are peculiar to Gansu.

Under the provincial jurisdiction, there are 5 municipalities as Lanzhou, Tianshui, Baiyin, Jinchang and Jiyuguan; 7 prefectures as Pingliang, Qingyang, Longnan, Dingxi, Wuwei, Zhangye and Jiuquan; 2 autonomous prefectures as Linxia and Gannan; and 86 counties. Lanzhou is the capital of Gansu Province with a population of 2.46 million and an area of 14,000 square kilometers.

Located at the juncture of the 3 plateaus - the Loess Plateau, the Inner Mongolian Plateau and the Qinghai-Tibetan Plateau, the southern part - the province enjoys a subtropical zone landscape while the northern part a temperate zone landscape, with the transition from the snow-capped peaks on the Qinghai-Tibetan Plateau to the Gobi Desert in the Mengxin Region. Characterized by beautiful, bold and magnificent landscape, Gansu is more colourful and majestic.

Gansu has 3.553 million hectares of farmland and 3.63 million hectares of forest. The forests of Bailongjiang, Xiaolongshan, Ziwuling and Qilianshan are widely dispersed in the south and east of Gansu and in the Hexi Corridor. Gansu has 13.667 million hectares of pasture land. The Gannan and Hexi pasture lands are the famous ones.

Up to now, 64 kinds of minerals have been verified in the province, 23 kinds of which rank the first to the fifth place in China. The reserves of limestone, marble stone, gypsum and other non-ferrous metals are also abundant.

The province has an annual river runoff capacity of 53 billion cubic meters with 90 rivers having a runoff capacity of over 100 million cubic meters. The Yellow River flows through the central part of the province from south to north while the Bailongjiang River (White Dragon River) traverses the southern part and then into the Yangtze River. Gansu has a hydro-power resource of 14.26 million kilowatts with 79 rivers having a resource of over 10,000 kilowatts. The deposits of coal and oil are 6.4 billion tons and 270 million tons respectively.

There are more than 500 species of wild animals in Gansu, of which 30 species such as giant panda, golden monkey, takin, snow leopard, horse deer, bactrian camel and white-mouth deer are rare in the world and under the protection of the state. There are over 1,200 kinds of wild plants in Gansu, of which 951 kinds are wild medicinal herbs, ranking the second in China. Traditionally exported in large quantities are Mingui (angelica root), Wendang (root of hairy asiabell), licorice root, elevated gastrodia, rhubarb, yellow vetch and red vetch. Gansu also abounds in special local products such as walnuts, apricot kernels, black and white edible fungus, mushrooms, honey, raw lacquer, tung oil, Chinese prickly ash and fennels. West Gansu's black moss, east Gansu's day lily, south Gansu's edible fungus and bracken, Gangu County's hot pepper, Minle County's garlic, Lanzhou's honeydew melon, white lily, rose, fruits and black melon seeds, Tianshui's Huanieu apple, Zhangye's apple-pear, Dunhuang and Dongxiang's apricot, Ningxian and Linze counties' Chinese date all are famous in the domestic and international markets.

In recent years, Gansu Province is developing well in economic construction. The total agricultural output value in 1987 reached 4.622 billion yuan; and crops totalled 5.294 million tons; the production of cotton, oil-bearing crops, flaxes and sugar beets has increased greatly. The total output of pork, beef, mutton was 306,000 tons. Total industrial output value in 1987 reached 14.066 billion of which 4.07 billion yuan was of light industry and 9.99 billion yuan of heavy industry.

Gansu Province has a sound foundation on which raw material and processing industry might be built up and has an industrial system with petro-chemical

industry, nonferrous metal industry, machinery manufacturing industry and electric power industry as its backbone.

Gansu Province is one of the 5 large patrol areas in the whole country. Historically speaking, Gansu has been teeming with special local products, such as fur, which will help open vast vistas for developing light textile industry. Early in 1980, the first machining wool textile mill in China was set up in Lanzhou. Today the light industry enterprises in Gansu Province have already expanded to more than 1,156. There are over 69 varieties of main products.

A transportation network linking all railways, highways and airlines has taken shape. Taking Lanzhou as the hub, railways extended in all directions, which cover a distance of over 2,700 kilometers. The Province now has 33,000 kilometers of highways. Its airlines can reach many cities. Thus make Gansu the hub of communication and centre for commercial products collecting and distributing in the northwest China. New progress has been made in foreign trade with many countries. In 1987 the provincial total volume of importing and exporting trade reached 120 million US Dollars. In 1987 the Province received 31,200 tourists.

Cultural, educational and health work in the Province is developing very fast. At present there are 17 institutions, 108 polytechnic schools with 5,741 teachers, among which 1,270 are above the associate professor's level. More than 8,786 graduates have graduated each year. The Province also has 227 scientific research institutions, 4 libraries with a collection of million books. There are more than 4,164 health and medical organisations with 64,788 staff members and 40,333 beds.

Gansu Province has a long history and splendid culture. As early as in the Paleolithic period, which was 100,000 years ago, people had already lived here. Many relics of Paleolithic and Neolithic culture have been discovered. Since the First Emperor of Qin unified China, the Great Wall had started to construct and political power system had established in the Province. The well known "Silk Road", which opened in the Han Dynasty, went through the whole province. It was an important commercial port and friendly link between China and foreign countries at that time. As early as in 1281 (early Yuan Dynasty), the administrative office of Gansu had been formed. The province has many places of historic interests and a lot of cultural relics. The world famous Mogao grottoes is "the bright pearl of Oriental Art". All these are magnificent resources for developing tourism.

7. Gansu Provincial Union of Supply and Marketing Cooperatives

The cooperative undertaking in Gansu Province started in 1935, which has up to now enjoyed a history of 55 years. Since the foundation of New China in 1949, the development of Supply and Marketing Cooperatives (SMC) has been supported and protected by the Government all time. At present, the member farmers of the GPUSMC have reached 3.12 million households, taking 90% of the rural population of the whole province; the share capital of member farmers 130 million yuan, 30% of the primary cooperative societies' own capital. The workers and staff members of GPUSMC throughout the province amounted to 61,000. Now the GPUSMC with peasant as their backbone has become the most powerful collective economic organisation in rural area of Gansu Province, and therefore is playing an increasing role in the socialist modernization drive.

During the economic system reform, the GPUSMC has been further strengthened by broadening their mass participation, democratizing their management and increasing their operational flexibility. All these efforts are designed to turn the GPUSMC into rural centres specialised in supply and marketing business, processing, storage, transport and technical extension to promote the rural commodity economy and meet the peasants' growing material and cultural needs.

The administrative structure of GPUSMC is divided into four levels, provincial, prefectural, county and primary. Under the Gansu Provincial Union of Supply and Marketing Cooperatives (GPUSMC), there are 7 offices of prefectures, 7 unions of municipalities and autonomous regions, 83 unions of counties and 915 cooperative societies of grass-roots. Also there are 15,000 business sectors of SMC all over the province. Out of which, 133 large and medium sized department stores with total business area of 110,000 square meters; 1.2 million square meters of storehouse; 1,380 vehicles for transportation; one 5,000 tons constant temperature storehouse for storing fruits and vegetables; three freezers (one is 100 tons and the other two 300 tons) for storing beef and mutton. The GPUSMC now boast 410 million yuan of fixed assets and 450 million yuan of working capital with 6.3 billion yuan of annual turnover and 150 million yuan of taxes payment and profit gained yearly.

It is a major task for the GPUSMC to serve the agricultural production and the farmers' livelihood. In 1989, for example, 95% of the whole farm production materials including chemical fertilizers, pesticides, plastic films, medium and small sized farm machines and tools were supplied by the

GPUSMC, which valued totally 583 million yuan, and 2.1 times increased than that of 1981 before reform; 503 million yuan's agricultural and sideline products were purchased and marketed by the GPUSMC, 2.23 times more than in 1981, 1.38 billion yuan's means of livelihood were provided by the GPUSMC, 83.5% increased than that of 1981.

In order to help and guide farmers to develop commodity production, the GPUSMC at various levels have since 1980 supported 910,000 farmer households to construct commodity production bases. And 83 such major bases, including day lily, raw lacquer, black edible fungus, Lanzhou honeyed melon, apple, grape, black melon seeds, cotton, sunflower seeds, red dates, walnut and rainbow trout, etc. have been set up. Plus other small bases, the total land of bases have reached 390,000 hectares, and the accumulated income since 1980 the farmers gained from the bases amounted to 1.29 billion yuan.

Developing the processing business and through which adding values to the agricultural and sideline products is also a good way for the GPUSMC to help farmers increase their income. Now the GPUSMC system all over the province have set up 649 processing factories with workers of 8,400 and products of 226 kinds which can be divided into 10 categories, such as foodstuff, drinks, tea, fruits, vegetables, cotton, wool, water tobacco, Chinese medicine herb, machines, etc. The annual total industrial output value has reached 200 million yuan and profit 10 million yuan. Also the farmers could gain 10 million yuan a year from the processing factories as their services income.

The GPUSMC actively organises the export of agricultural and sideline products, e.g. honey, day lily, black melon seeds, apple, broad beans, soybeans, kidney beans, walnut meats, salted bracken, dehydrated vegetables, etc. Gansu Provincial Farm and Sideline Products Import & Export Corporation is a GPUSMC's foreign trade enterprise which operates the export of more than 30 varieties of agricultural and sideline products and Chinese medicine herb.

The work of science and technology and education of GPUSMC have also made great strides in recent years. There are now 2 science and technology research institutes, one quality supervision and control station over agricultural and sideline products, 200 technicians. From 1981, 44 scientific and technological research items have been finished, among which 16 have got awards at national level, Ministry of Commerce level and Gansu Provincial level. The cooperative system in the province has installed a great number of electronic computers, facsimile receivers and telex equipments. A computer information network all through the cooperative system has been taking a shape.

The GPUSMC at provincial and county levels now have 21 vocational

schools and training centres, 32 educational administrative set ups with staff and workers of 220 and building area of 15,689 square meters. In these years, 1,000 students with college level or vocational school level have graduated and 72,000 person time of special people have been trained, 3,972 people have got titles of technical or professional post.

7.1 Education

The Education Division of GPUSMC has functioned since 1949. In the beginning it was a cooperative cadre school. During the period 1979-84 the general emphasis shifted from political to economic matters of cooperatives. More attention was paid to education. Secondary schools were established.

8,000 employees of the GPUSMC had not yet reached middle school level. 2,000 of them have participated in cooperative courses in management, modern technology. During the period 1984-85, 76% of all staff had reached middle school level. A T.V broadcasting course in accounting was successfully introduced. 1,400 personnel graduated during this period from the secondary vocational school and universities. As a whole a total of 70% of them graduated. As a result, they have now taken up leadership in GPUSMC at different levels.

During the years 1986-88 emphasis was paid on to promote skills and ability of employees to do their jobs. A four months course at county level companies with the following main subjects was started: principles of cooperatives, business management, state certificate qualified managers, skills training which has resulted in 10,000 certificates from Labour Department. They are therefore qualified technicians in business management. There are now two provincial union cooperative schools. The Provincial Union Cooperative School has a total building area of 11,851 square meters. The library has 30,000 books, with 20,000 reference books. Further more, there are 10 computers. The school has 79 employees of which there are 5 Senior lectures and 13 teachers.

The Subjects taught in the school are : (i) Accounting, (ii) Price Control, (iii) Coop Economics, and (iv) Statistics. At present there is a capacity of 450 students. The total number of students who have graduated are 1,200 (accumulative figures).

Another School is the Provincial Union Cooperative Cadre School with 17,316 square meter area, 7,500 square meter building area and a capacity of 300 students. The total investment from the GPUSMC is two million yuan. Besides, at county levels, there are 21 schools with 220 employees and a capacity of 3,000 student places.

From 1979 total funds for education have been contributed by the following

organizations : 1 million from All China Federation of Supply and Marketing Cooperatives, 3 million from Gansu Provincial Government, 5 million Gansu Provincial Union of Supply and Marketing Cooperatives, and 5 million from All County Cooperatives.

Staff Education Year was declared in 1988. All staff have to learn at least one course during the year. The result was that 72,000 employees were trained from 1979-1988. This is about 120% of the total number of employees.

Under the GPUSMC there are 1 education division, 73 county education sections with 126 employees. 3,972 persons have now got government certificates as qualified technicians as per the government standard subjects for the following professions : Technician, Accountant Assistant, Assistant Engineers, Assistant Accountant, Engineers, Accountant, Senior Engineer, and Senior Accountants.

University/College graduates 1988 compared to 1972 was equal to a 5.1 times increase. At the end of 1988, 12,454 workers reached middle technical skills level (46% of workers) as per the government regulations levels and score system.

Teachers training is also provided by the GPUSMC during courses of various periods from 2-12 months duration. The subject matters are accounting, economics, political science, new technologies (e.g. cooperative economics - was a new subject last year). The main methods of training are not so well developed. The lectures will get their skills mainly from practicing. Sometimes they get in this field by American trainers.

The ACFSMC will prepare all curricula. This would mean standard curricula for the whole country. The link between the teachings and the business operations is that the personnel learn and thereafter they do accordingly. Follow up of training courses are done through an information feedback system. Forms are sent out for answering. Also teachers have to go out themselves to follow up on the achievements of their students.

7.2 The Status & Development of Production & Processing

Government Policy relating to Processing Production in Cooperatives

In many government documents, government shows its support to develop processing production in cooperatives :

- i. To enhance sales and purchasing business, cooperatives should establish their own processing enterprises in order to make the raw produce sold by peasants meet the need of the industry. This can benefit both National Industrial Construction and Agricultural Development because the unparalleled economic development in different areas, the production of

some industrial products may fail to meet the increasing need of consumers. Therefore, it is a challenge to the cooperatives to set up factories to produce goods for the consumers.

- ii. Cooperative industry should be closely linked with the changes and development of the supplying and marketing business of the cooperative. If it deviates from the cooperative supply and marketing business, it loses the preconditions for its existence and development. This is its major difference from other state-run and administrative structure in the cooperative.
- iii. The direction of processing production development of cooperative should be made clear on the basis of the "serve for the supply and marketing business" policy. Moreover, cooperatives should try to establish enterprises based on the need of the business and local potential so as to explore more supply sources, commodity varieties.
- iv. In developing new enterprises, attention should be paid to the steadiness and exactness. Emphasis should be given to one or two key trades and to the "balance among supply, production and sales principle". Particular studies should be given to particular products including those sold at local market and out of the Province at domestic and abroad. The present equipment and facilities (including building, machines, technology, workers and management personnel) should be exploited to the fullest extent. Other important things are to learn from experiences and lessons - to improve products quality, to introduce advanced technology, to develop new products and to update equipment. All these are the warranty for expanding purchasing scope and local supplying sources. Using possible substitutes for certain raw material is also important. But it should be done on the basis of quality assurance.

Production and Processing Achievements of GPUSMC in Recent Years

Starting in 1982, the production and processing activities in GPUSMC was a relatively new one as compared with other business activities in the cooperatives. Their aim was to help peasants in agricultural produce processing so as to increase the production value and the peasants' income as well. From the very beginning, GPUSMC had been confronted with difficulties such as the lack of production technology and management knowledge, the shortage of investment funds etc. GPUSMC has been trying various ways to solve these problems. It absorbs capital, technology and management knowledge from research institutes. It also invites quite a number of technicians and management personnel to work in the cooperatives. By these means, GPUSMC has made a great leap in the production since 1982 and thus laid a foundation for further development. The following is the main production and processing achievements accomplished by GPUSMC during 1982-88.

There are 649 processing enterprises which employ 8,400 workers. The Products produced by cooperative factories comprise of 10 categories including 226 varieties. The industrial growth was 14.55 million yuan in 1982 and reached 217.70 million yuan in 1988. The eight years total industrial output amounts to 743.18 million yuan.

The profit of cooperative processing enterprises was 720,000 yuan in 1982 and in 1988 it reached 10.47 million yuan. The eight years' total profit amounts to 44.66 million yuan.

The taxation was 300,000 yuan in 1982 and reached 7.02 million yuan in 1988. The eight years' taxation amounts to 26.28 million yuan.

The export value was US\$ 148,000 in 1982 and reached US\$ 2.05 million in 1988. The eight years' total export value amounts to US\$ 27.55 million.

There are two science research institutes in GPUSMC which had made 44 achievements during 1981-88. Among them, two were awarded state prizes, seven were awarded ministerial prizes and four were awarded provincial government prizes. There are 200 technicians in GPUSMC.

GPUSMC Future Processing Planning (1990-94)

Production and processing development is one of the six aspects emphasized by the 1990-94 GPUSMC development planning. Its objective is to increase the processing value of agricultural produce, to produce products at low investments, low cost and high efficiency according to market oriented principles. In technology, it also aims at introducing advanced technology and equipment to improve the present production and strengthening personnel training, quality assurance & business administration. The major investment projects are :

- i. Linxia 'Little Mecca' Meat Factory plans to build a meat tin factory which will produce 500-600 tons of bottled or compound, arterial soft packed tins each year. It will need to invest 5 million yuan;
- ii. Jiuquan Cooperative Plans to build a non-wool haircloth production line during 1990-1994 which will need a total investment of 5.55 million yuan. It plans to extend the present 25 tons sheep hair cloth carding workshop, 450 tons wool strip workshop and 1,000 tons clean-washed wool workshop to a production line which can produce 500 tons woollen haircloth and 1,500 tons worsted haircloth. New production value will increase to 17.10 million yuan. Profit will amount to 4.75 million yuan;
- iii. Wuwei City Cooperative plans to build a narrow leaved oleasters series products workshop which can produce beverage and jam by processing

1,200 tons of narrow leaved oleasters each year. The project will need the investment of 4.3 million yuan during 1990-94;

- iv. Zhenyuan County Cooperative plans to build an apricot series products production line which will produce 1,000 tons of apricot products each year by exploiting 1,500 tons of local fresh apricot. Its production value will reach 5 million yuan and profit 0.5 million yuan. It will need to invest 2.75 million yuan during 1990-94;
- v. Zhangye City Cooperative plans to build dehydrated vegetable factory which will produce onion, shard beans, hot pepper and turnip etc. It will need to invest 5.9 million yuan for purchasing foreign advanced facilities of vegetables dehydrating during 1990-94. Its production value will reach 7.7 million yuan and profit 5 million yuan;
- vi. Hualong County Cooperative plans to build a fruit beverage factory. It will need to invest 4.7 million yuan from 1990 to 1994 for purchasing advanced production facilities to produce fruit juice and fruit wine for exporting. Its production value can be risen to 14.5 million yuan and profit 4.1 million yuan during 1990-94;
- vii. Gansu Provincial Union of Supply and Marketing Cooperatives (GPUSMC) plans to invest 2.7 million yuan during 1990-94 to purchase the advanced facilities for processing black melon seeds and enlarging production scale of lanshan food products factory in order to utilize plentiful black melon seeds resources in the suburb of Lanzhon City. Its production value will reach 8.1 million yuan and profit 2.2 million yuan;
- viii Lanzhon City Waste Material Recovery Company plans to invest 3.4 million yuan during 1990-94 to purchase equipment of sheet extrusion and extending workshop for processing of waste rubber and plastic. It could increase output value of 10.2 million yuan and profit 2.9 million within five years;
- ix. Chemical Factory of Gansu Supply and Marketing Cooperatives plans to invest 3.9 million yuan for purchasing machines and extending workshop to enlarge production capacity of Titanium Yellow Pigments. It could increase output value 11.6 million yuan and profit 3.3 million yuan from 1990 to 1994; and
- x. Tingyuan County Cooperative plans to invest 3.8 million yuan during 1990-94 for technical innovation and applying the technology of rare-earth dyeing to produce furs mattress. Its production value will reach 11.4 million yuan and profit 3.25 million yuan.

8. The Observations and Indications of the ICA Mission

The long-term plans of the state gives priority to the development of western areas due to the gap between the economic output of eastern and western provinces. In 1980 the eastern provinces accounted for 64% of the national output whereas west had only 36%. Among the western provinces too Gansu ranked lowest regarding per capita income and living expenses - the average figure in 1981 being only 135 yuan whereas the national figure was 718 yuan. Therefore, government has given priority to the development of Gansu Province.

Gansu Provincial Union of Supply and Marketing Cooperatives and affiliated primary cooperatives are multi-purpose agricultural cooperatives. They have the following functions and services :

- supply of inputs, agro-chemicals, fertilizer, seeds,
- funding of investments.
- marketing of agricultural produce,
- agro processing industries,
- light industries,
- consumer shops, wholesaling and retailing,
- restaurants and hotels,
- educational institutions.

The structure is clearly a multipurpose cooperative formation.

8.1 Consumer Services

With the change of the living conditions of people with doubled per capital income and more purchasing power, the consumer services have to be assessed for the future. The market forces would come into play more competitively in future with the expansion of the private sector. It is necessary to take into account that even at present the cooperatives enjoy only 40% of the market share. The following assessment is made accordingly :

- The county, city and primary cooperatives at Gansu have enough infrastructure facilities for warehousing and consumer stores which can absorb future expansion;
- The stock management at present is poor having a stock turnover below 1 time a month;

- Store management and display of goods need improvement;
- Proper quality control of goods not available;
- Proper policies and re-ordering system need to be established;
- Proper financial management systems to be introduced in order to maintain a stable financial discipline and better return on investment. Any liquidity problem would be disastrous as borrowing from banks is almost impossible;
- Proper financial statement in relation to different commodity sectors need to be introduced to oversee proper functioning of profit centre concept. Customer relations procedures, market intelligence system need to be established;
- There is a positive interlending and capital circulation among cooperatives at present. This should not affect the profitable use of capital in maximizing returns;
- Costing and pricing of commodities need to be checked;
- Refrigerated perishables and frozen food would be complementary to present business in order to attract more customers;
- Hotels run by the cooperatives need professionalized housekeeping and catering and customer services although infrastructure is sufficient for the future;
- In order to attract foreign tourists international standards of services have to be brought in;
- The links between product mixture from agro-processing industries and consumer shops would have to be established in order to ensure better returns to both;
- Modern selling techniques such as sales at discounted prices, cheap shops to be introduced;
- Individual members involvement in store management by determining consumer needs is absent at present; and
- There is a need to set up a business management consultation and research unit at the Provincial Union to help primaries.

8.2 Human Resource Development

The government expect a drastic improvement in agriculture and light industries as well as managerial skills in future. It has also set targets for the introduction of new technology to all spheres as explained above.

The future plans of cooperatives too have to integrate these changes by improving their own systems. With the plans in view and from the studies made the following observations can be made on the cooperatives in the Gansu province as a whole :

- A proper manpower system which ensures inner mobilities of staff among cooperatives and within a single organization is absent at present;
- A properly integrated manpower development system with career prospects for employees is non-existent although state plans clearly indicate that remuneration should be according to performance. Cooperative education and training system is an integral component in this process;
- The cooperatives in Gansu has made a distinct progress in literacy work and general education of staff members although, business management training has not been undertaken systematically;
- The present training schools at provincial and county level are ill-equipped to handle job training. Classrooms and audio visual equipments need to be improved;
- The training centres use conventional teaching methods unsuitable for business training;
- Scientific ways of curriculum development and learning material production have to be established;
- Rationalization of the present education system is necessary in order to formulate a training system suitable for various levels of training and also to integrate the government vocational training into the system;
- Proper training system has to be established at the provincial level;
- If possible, computerized audio visual aids production and Desk Top Publishing (DTP) facilities should be established in order to develop an improved training system with participatory training methods and proper learning materials;
- On the job training and programmed learning methods would have to be introduced to facilitate trainees who could not attend residential programmes;
- A professionalism to be developed at the provincial level in order to update and improve the training system and decide on standards; and
- At present individual members' involvement in managing business in primary cooperatives is rather limited.. Therefore, methodologies of involving them need to be introduced in order to make them self-reliant and self-managed as expected by the state.

8.3 Processing Production

Although GPUSMC has dedicated great efforts to processing production and has made considerable achievements, it is still a relatively weak part in the cooperative business activities.

- Processing production is a relatively new business in the cooperatives. Its weakness can be seen from following data. In 1988, the total sales value of GPUSMC was 3,155.84 million yuan among which processing production value was 217.7 million yuan, taking up only 6.89 per cent. Its total profit was 71.75 million yuan and processing profit was 10.47 million yuan, taking up 14.59 per cent of the total profit. Its total taxation was 60.53 million yuan among which processing taxation was 7.02 million yuan, taking up 11.59 percent;
- The present processing equipment is obsolete and the production scale is limited;
- The processing technology and management are weak, especially quality control;
- There is great shortage of technicians. At present technicians only take up 2.38 per cent of the total employees in processing enterprises;
- There is shortage of funds; and
- The project feasibility study is relatively weak.

Therefore, the following suggestions have been made :

- Gansu is an agricultural Province with rich agricultural produce resources. This provided a possible future for the processing production. As the present income of the peasants is low, the processing production will be greatly welcomed by them because this can help increase their income;
- An overall and detailed development plan should be made according to the particular natural and agricultural produce resources in different regions and counties. Key development projects should be decided according to the present production condition in different areas so as to avoid repetition. The key objective should be to help peasants process their produce and increase their income. At the same time, attention should be paid to the long term development, i.e. to decide the specific plan, objective, investment and personnel use every year according to a long term development plan;
- The processing production of cooperatives should be concentrated on the processing of finished and semi-finished products made from agricultural produce. This will help to improve products value and change the present situation of merely exporting raw agricultural produce. If raw material

supply and market are guaranteed, cooperation could be set up between cooperatives and city enterprises. Cooperatives can produce intermediate products for large scale industrial production in the city and finished products as well. These can help to strengthen cooperative economy;

- The investment funds can be collected by encouraging peasants to join as shareholders. This will benefit both as the problem of capital shortage is solved and peasants' idle money is made full use of, too;
- Strengthen project feasibility study. Feasibility study is the base of every project investment. Any project without scientific feasibility study should not be started so as to avoid blindness;
- Strengthen the training for management personnel, technicians and workers. Different training courses should have different plans and curricula in order to ensure that all the skills of the employees are adequate in relation to their positions in the enterprises; and
- Every factory should set up a quality assurance body to strengthen quality control.

9. Perspective Plan for GPUSMC Development (1990-2000)

9.1 General Guiding Ideas

With a developing area, it is a major task for Gansu Province to obtain a comparatively well-off living condition in next eleven years. The supply and marketing cooperatives in Gansu should fully play the advantages of cooperative economy, and make contribution to the Gansu economy.

The general guiding ideas are : on the base of deepening the reform, further perfecting and developing cooperative system, upholding the orientation of serving the peasants, supporting agricultural production, enlivening the rural commodity circulation, promoting the development of agricultural commodity economy in a continuous, stable and coordinated way, helping the peasants develop production and increase income, get rid of poverty and improve living conditions.

9.2 Developmental Targets (1990-2000)

The total purchase volume of commodity should reach 3.17 billion yuan in 1990 and 5.3 billion yuan in 2000 with an annual average increasing rate of 5.3%. Of which the purchase volume of agricultural and sideline products should reach 0.6 billion yuan in 1990 and 0.91 billion yuan in 2000 with an annual average increasing rate of 4.3%, the purchase volume of waste materials should reach 0.1 billion yuan in 1990 and 0.155 billion yuan in 2000 with an annual average increasing rate of 4.5%.

The total sales volume of commodities should amount to 3.39 billion yuan in 1990 and 5.7 billion yuan in 2000 with an annual average increasing rate of 5.3%. Of which the total volume of retail should reach 2.1 billion yuan in 1990 and 3.32 billion yuan in 2000 with an annual average increasing rate of 4.7%; the retail of means of livelihood should reach 1.53 billion yuan in 1990 and 2.5 billion yuan in 2000 with an annual average increasing rate of 5%; the retail of means of production should reach 0.57 billion yuan in 1990 and 0.82 billion yuan in 2000 with an annual average increasing rate of 3.7%.

The total profits should account for 67.8 million yuan in 1990 and 114 million yuan in 2000 with an annual average increasing rate of 5.3 per cent.

9.3 Countermeasures

i. Support rural commodity production with great efforts

- (a) Further develop and perfect the existing 83 commodity production bases (with total output value of 0.74 billion yuan), actively start new ones and gradually build up within ten years of large number of commodity bases with a rational distribution and stable marketable products. In the year 2000, the number of key commodity bases should amount to 120 with total output value of 1.1 billion yuan foreign exchange created by the export products of 0.16 billion yuan. All these could increase income annually to the rural people of 200 yuan per capita.
- (b) Organise specialised production societies (or cooperatives) to the items every peasant households could produce, provide series of services to the production and turn them gradually into the certain scale, intensive and specialised farming. At present, there are 175 specialised production societies in the whole provincial cooperative system. There should be 200 in 1990 and 1,000 in the year 2000.
- (c) Develop commodity production according to the specific conditions. The whole province can be divided into four areas - east Gansu should put emphasis on developing lily flower, pumpkin seeds, apricot, Chinese hawthorn; south Gansu on orange, apple, raw lacquer, wild pepper, tea, walnut, black edible fungus and traditional Chinese medical herbs; central Gansu on white melon, black melon seeds, beef cattle, mutton sheep, chicken and rabbit; west Gansu (Hexi Corridor) on cotton, grape, apple, pear, white melon, black melon seeds, pumpkin seeds, mutton sheep and rabbit.
- (d) On the methods of supporting commodity production "four combinations", "three turns" and "series of services" to the production should be adopted.

"Four combinations" are : combine the scattered individual production with specialised production societies; combine run by the cooperative with run by the peasants; combine the construction of commodity bases with the processing industry of cooperatives; combine the supporting of commodity production with helping poor peasants get rid of poverty and improve living conditions.

"Three turns" are : turn supporting products economy into supporting commodity economy; turn simply supporting grain production into participating the adjustment of agricultural production structures; turn invested only by cooperatives into together with other economic sectors.

“Series of services” are : provide service before production, in the middle of production and after production; provide services in funds, materials, technology and information; provide services in processing, storage, transport and marketing.

ii. Invigorate the rural commodity circulation

- (a) Through various economic coalition, further set up and perfect purchase and marketing network.

Strengthen the cooperation with peasants, turn the relations between cooperatives and peasants from simply selling and buying into cooperation and service.

Strengthen the internal cooperation within the cooperative system. Cooperatives at different levels should further develop the separate purchase and associate marketing of agricultural and sideline products, and the associate purchase and separate marketing of industrial goods. Every county should set up two business system, that is, agricultural and sideline products business; and industrial goods business systems. Based on the business scope and commodity varieties, all kinds of specialised group corporations, such as industrial goods wholesale group corporation, large and medium-sized market group corporation, black melon seeds production and sales corporation should be set up, too.

Organise peasants directly entering the commodity circulation so as to decrease the middle link and enlarge the purchase and marketing of farm products. A number of wholesale markets for farm products should be set up in some big cities. During 1990 to 1991, two such markets would be set up in Lanzhou City and Tianshui City. Of which Lanzhou agricultural and sideline products wholesale market would be invested by 6 million yuan with a total building area of 10,530 square meters, annual turnover 120,000 - 200,000 tons which value 70 million yuan and a profit of 5 million yuan; Tianshui agricultural and sideline products wholesale market would need an investment of 5 million yuan with a total building area of 8,000 meters, annual turnover 100,000 tons which value 50 million yuan and a profit of 3 million yuan.

- (b) Strengthen the building of business facilities so as to raise operational ability and service level.
- (c) Strengthen the planning guidance to the rural commodity production so as to develop planned economy.
- (d) Strengthen the comprehensive service for the peasants'. Apart from services for production, services for peasants' daily life, culture, education and training should be paid more attention too.

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iii. Develop processing industry

The output value of processing industry should reach 0.26 billion yuan in 1990 and 0.5 billion yuan in 2000 with an annual average increasing rate of 6.8%; profits and taxes from 25 million yuan in 1990 to 50 million yuan in 2000 with an annual average increasing rate of 7.2%.

According to the principle of "strengthening coalition, paying attending to the economic results, raising products quality and developing stably", the processing industry should put focus on the agriculture sideline products and waste materials, actively research and develop new varieties of products, improve quality, increase output and raise economic results.

To develop processing industry, the first thing is increasing investment. There will be 80 million yuan needed in the future 10 years. The source of these funds would partly come from the surplus of cooperatives, partly from bank loan, and partly from coalition with other economic entities.

iv. Develop science and technology

Science and technology are production forces. The science and technology work of cooperatives should adhere to serving the commodity production and circulation. Its basic contents are : (a) the deep processing of agricultural and sideline products, the recovery of utilization of waste materials; (b) the techniques of commodities' store, packing, fresh keeping, protection, inspection and transportation; (c) introduction and improvement of farm seeds; (d) the use and widespread of modern means of enterprises management, such as computer's use and widespread.

In the future, the following eight projects should be focussed on (i) spread new technique of planting lily flower; (ii) spread GN-1 improved black melon seeds on a large scale; (iii) spread the high yield cultivated technique of walnut trees; (iv) research and develop the series products of narrow leaved oleaster; (v) research and develop the series products of shen shen cola drinks; (vi) research and develop series products of wheel trestle; (vii) research and develop the series products of dehydrated vegetables; (viii) spread computer technique into financial, statistical and other business management, and gradually form a network covering the whole cooperative system of the Province.

It is important to build up a cooperatives' scientific and technological ranks and bring into full play the initiative of technicians. Some policies of rewarding technicians should be implemented. Some administrative organs in charge of technological work should be set up. The leadership to the science and technology should be strengthened. The inputs to science and technology should also be increased.

v. Strengthen education and training

It is a key area to develop education and training. The targets are, from the year 1990 onwards, every year should have 100 workers and staff to receive high education, 150 receive secondary vocational education and 8% of total workers receive middle-grade technical training. By the year 2000 workers and staff graduated from university or college should reach 2,415, from secondary vocational school be 3,542 as well as 70% of workers should get middle-grade technical certificates.

The concrete measures are : first, consolidate the educational administrative organisations. From 1990 onwards the enterprises of the Provincial Union and cooperatives at prefectural level should set up themselves education sections. By 1995, 50% of the cooperatives at county level should also set up education sections. The staff engaged in education and training should reach 330.

Second, strengthen the building of educational bases. Apart from the existing schools, more schools should be set up. By the year 2000, all the prefectural cooperatives and some county cooperatives in which the number of workers and staff are over 800 should have themselves schools. That means the schools should get at least 50 in all.

Third, strengthen the training to the teacher ranks. By the year 2000, the teachers of Provincial Supply and Marketing School and Cadre School should reach the level of graduated from university, and other teachers graduated from secondary vocational school and upwards.

Fourth, develop education with electrical audio visual aids. By the year 2000, an educational centre with audio visual aids should be set up. This centre includes a teaching building with a floor space of 800 square meters and an investment of 800,000 yuan; a complete set of equipments with investment of 350,000 yuan; one language laboratory with investment of 550,000 yuan and a holding capacity of 50 students; one audio visual laboratory with a holding capacity of 100 students.

vi. Strengthen the construction of basic business facilities

The store house area should reach 1.719 million square meters with store volume of 1.203 million tons yearly in 1990 and 1.919 million square meters with store volume of 1.343 million tons yearly in 2000; the business area should reach 1.518 million square meters in 1990 and 1.718 million square meters in 2000.

The source of funds needed will mainly come from four aspects, one will come from the investment of the ACFSMC and the Gansu Provincial

Government's Planning Committee; second will be raised by cooperatives themselves; third will be the loans of bank; and fourth will be introduced from abroad or other aspects.

The retail network should reach 9,677 in the year 2000 from 1990's 8,064; catering and social service trade network should reach 699 from now a day's 581; other business network should reach 221 from now a day's 184.

10. Summary of Discussions with the Cooperative Leaders in Gansu Province

10.1 A Summary of the Field Trips and Discussions with Cooperative Leaders in Gansu Province

During the meeting with the cooperative leaders on the day before the departure the ICA Study Mission from Gansu Province the following matters were discussed and tentatively agreed upon.

ICA will be able assist in the following areas in order that a proper follow up will be made :

- a. To finalize the Mission Report;
- b. To assist in looking for qualified expertise in various subject areas for the purpose of making feasibility studies on project proposals;
- c. To participate in arranging for a Perspective Planning Conference for the cooperatives in Gansu Province;
- d. To assist the Gansu Provincial Union of Supply and Marketing Cooperatives to arrange and conduct training of cooperative managers and other relevant employees in doing feasibility studies including project identification and planning. The following four main approaches may then be used;
 - i. Intensive training of staff in various geographical locations, which prior to that will require the making of a Base Line Survey (BLS) of all economic activities that could form new Cooperative Development Projects (CDP) in the Province. The training will focus on the method of learning by doing in actual Project Identification and Planning (PID&P).

ICA will assist in finding financial and technical assistance to this programme, which will require four local English speaking resource persons who are conversant with various methods of project analysis. The total number of participants will be maximized to 16 persons so that the training will then provide for a very extensive transfer of tailor made knowledge, skills and attitudes by the resource persons to the participants. This approach will facilitate a collaboration between participants and the resource persons to focus on individual training areas that will correspond to the real and actual needs of the trainees. This approach will therefore, create a unique opportunity

to the participants to improve their professional skills and ability in identifying and planning for cooperative development projects that stand a real chance to succeed. The training will result directly in four feasible project proposals that will be acceptable to both banks and international support agencies. Later on it will be expected that each participant will prepare his/her own project for his/her cooperative. The training will last for a period of six weeks.

The applicants to the training should possess a bachelors degree in Business Administration, Economics or Agricultural Economics together with some professional experience. The training is at a University Graduate level.

- ii. The ICA ROAP Agricultural Cooperative Development Adviser (ACDA) may assist further in giving a short training to cooperative managers in making a few feasibility studies of potential cooperative projects that may deal with agricultural and side line production, processing and marketing. Some of the project proposals submitted to the ICA Study Mission by the GPUSMC could be subject to such assistance by ACDA of ICA ROAP. ICA would in this case cover all travel and accommodation expenses. This assistance, if approved by all parties concerned, could be provided very soon, i.e. within the period November - December 1989.
- iii. The Japan funded 6 months Cooperative Management course conducted once a year by ICA ROAP is also providing excellent training facilities in project management. The GPUSMC could negotiate some student places in the next few courses to come. All nominations should then be made through the ACFSMC.
- iv. In consultation with the All China Federation of Supply and Marketing Cooperatives (ACFSMC) the GPUSMC may also request to get one seat at every course that is arranged by ICA and the Institute for Development of Agricultural Cooperation in Asia (IDACA) in Japan. Mr. Han of the GPUSMC has already enjoyed this facilities when he participated in the 3 weeks course in "Member Participation at grassroots level" in November 1987.

All the above training will in the opinion of the ICA Study Mission be quite valuable for implementation of the forthcoming Perspective Plan for Agricultural Cooperatives in Gansu Province.

- e. In order to provide a good frame work for project work and implementation it will be absolutely necessary to carry out a detailed Base Line Survey (BLS) which will go down to the very micro level. Such a BLS will define all economic activities in the Province that could be run by the members together with their respective cooperatives. Scientific parameters

and indicators should be used together with well tested ranking methods to prepare a complete listing of all possible economic activities in the Province that can be either potential or even very potential for Project Identification Studies (PIS) and Project Identification and Planning (PID&P) including Feasibility Studies (FS) and Analysis. The BLS will provide the cooperatives in Gansu a very clear classification of all economic activities into three main groups, i.e. very potential, potential and not potential activities. One of the most important factors in this exercise is to find out if members are willing to participate in an activity or not. Of equal importance is the market potential of products that may come out of such activities.

Provided that the above mentioned activities are carried out *systematically* in the following chronological order the possibilities for a successful implementation of the Perspective Plan will be quite good :

- Completion of reports;
 - Conferences with cooperative leaders on the report and joint planning with them;
 - Base Line Survey including training;
 - Feasibility studies including training with detailed project planning and resource funding; and
 - Budgeting and allocation of resources from both internal cooperative and government sources as well as from international organisations which are willing to assist in cooperative development in the Province.
- f. The aspects of Human Resource Development (HRD) within the agricultural cooperatives will cover not only a systematic studying of educational and training needs of leaders, personnel and members, but also include such aspects as salary structures, and career development for both groups and individuals within the cooperative movement. HRD planning must take into account even future possible conditions in markets such as competition and pricing in order the outcome of implementation will be successful and beneficial to the movement in general and the individual members in particular. ICA has expertise in this field and may assist if all parties concerned agree to it. ILO has also made quite some efforts in this field in Asia and their experience and knowledge should also be taken advantage of.
- g. In order to provide decision makers within the cooperative movement with up to date and adequate information on a continuous basis for the purpose of planning and management decision making, the ICA Study Mission feels it important that GPUSMC will study the possibilities to

establish a system of computerized data collection and dissemination at various decision making levels.

In this respect GPUSMC should take advantage of the experience gained by ICA together with FAO in India in establishing a system for Monitoring and Evaluation of Cooperative Development (MECD) and the setting up of a Cooperative Data Bank (CDB).

- h. ICA may also assist in making Consumer surveys that could result in higher efficiency in the cooperative business in general and in shops and stores in particular.
- i. The economic aspects of display of goods and the orientation towards consumer demands in cooperative department stores is another area where ICA ROAP through its Consumer Cooperative Development Adviser can provide valuable assistance.
- j. ICA can also undertake to assist in arranging for short term consultants in e.g. the fields of forestry, hotel management and tourism, fish breeding and production, food processing such as wine making and fruit processing, etc.
- k. The ICA through its membership can also participate in facilitating joint ventures in the case of imports and production of fertilizers.
- l. ICA may also on request assist in negotiating funding of various projects according to prospective and feasible proposals. In this respect it will be very effective to involve a potential donor or joint venture partner already at the time of carrying out the Project Feasibility Study as discussed above.
- m. With the concurrence of GPUSMC and the ACFSMC it is also possible for ICA ROAP to distribute this Mission Report to potential donors and/or joint venture partners.

10.2 Summary of Discussions with Mr. Gao, Dy. Director of GPUSMC

This Mission is extremely important for the future cooperation between ICA and China. But ICA has to work through its members and all future activities, therefore, have to be planned and worked out through the ACFSMC (All-China Federation of Supply and Marketing Cooperatives). For the same reason ICA will deliver a report to the ACFSMC.

The first draft report can be finalized only by the end of this year. It will be sent to you for translation and your views on the draft will have to be received by ICA. Your comments will thereafter be incorporated into the draft and it will then be finalized.

Another agreement with all China Federation of Supply & Marketing Cooperatives is that ICA will come back to Gansu and hold a conference together with your Union with the cooperative leaders as participants. They will jointly, with all of us, evolve and adopt a long term Cooperative Development Plan for Gansu Province.

Such a conference should be based on a clear vision of the future, which the report should provide. At the conference, the participants would be divided into groups to discuss separate issues, e.g.

- The policies to adopt;
- Strategies to use to achieve the goals;
- Activities to be undertaken to achieve the goals;
- Type of collaboration between the organizations in charge of the activities;
- Time frame for operational activities; and
- Design budgets for the activities.

The overall medium-term and long-term objectives have also to be set and held in focus while evolving the development plans.

With such a plan finalized and adopted, ICA will participate in assisting in finding necessary additional support and funding. It is extremely important for donors to have such a plan, giving them confidence in the future work.

An example of the above working procedures is the ICA collaboration with the cooperatives in the Philippines. When a similar plan for the cooperative sector there was finalized a donors conference was arranged for 10 international organizations. After that ICA employed and assigned a consultant, Dr. Bretschneider, to spearhead the more detailed project planning.

The first planning conference in the Philippines was held on 13-18 February 1988. The second conference was then held on 7-9 May 1988 and the donors conference was finally held on 6th August 1988. The above consultant was thereafter employed in February 1989; and the first project proposals were finalized in March 1989; donor organizations were then approached and funds will probably start to come in sometimes in 1990. This is an example of a time frame which can also be guiding us in the case of the Gansu Cooperative Perspective Plan.

Thereafter, when the plan has been finalized and adopted, we should embark on making feasibility studies for various projects.

In view of the above the ICA Study Mission will try to meet with the World Bank officials in Beijing and discuss with them possibilities for some kind of project funding.

It should however, be kept in mind that most international organisations are less interested in cooperative development as such, but in case of agricultural

or rural development they are often more willing to support well prepared projects and programmes. In most cases they would prefer to participate in preparation of such projects and programmes too.

As the inadequate water supply to the agricultural sector is one of the biggest problems for the agricultural cooperatives in Gansu Province it is important that both the Government and all possible International Organizations such as the FAO, the IBRD and others are well informed and also work together to alleviate the problems and even improve the conditions for the farmers. ICA will therefore attempt to assist in spreading this information to relevant international organizations. Therefore, It is hoped that some useful information on water irrigation in Gansu can be found at the World Bank Office in Beijing.

The actual agricultural situation in Gansu Province : One limitation of the ICA Study Mission is that it has not visited all parts of the Province. The areas not visited in the south and south east and eastern parts of the province represent 67% of the population of the province.

In the areas covered the water problem is the most imminent one. To change the environment is a difficult task and large sums and manpower are required. Outsiders will not come to the rescue unless local people take strong part in such efforts. Therefore, an awareness of the benefit of self-reliance must be created with farmers . The existing large number of cooperatives in Gansu will therefore have to facilitate this.

The ICA Study mission has learned of the lack of funds and missing technology but this should not stop the cooperatives from continuing the present efforts to improve the environment. Cooperatives can do a lot in this field.

According to the findings of the Mission, there is nothing prohibiting cooperatives from starting digging tube-wells or starting reforestation programs, etc. The Mission is convinced that the cooperatives could really reap profits of such programmes after some time.

The cause of action that the ICA Study Mission proposing is:

- i. All the cooperatives should together undertake all possible efforts to increase the supply of water for irrigation purposes in cooperation with the government departments involved. This will cost a lot of money but it must be seen as a long-term investment for future generations. The costs can therefore be spread over a long period of time. It is cheaper to do it now than postponing and starting such efforts when conditions have deteriorated further.
- ii. Land levelling is also important, and cooperatives should be encouraged to make terraces where the risk for land erosion is great, especially on steep slopes. The fertile top soils will otherwise be washed down.

- iii. Proper planting techniques are also needed to be taught to the farmers.
- iv. In the highland areas which the Study Mission visited, it is important for the farmers to get access to proper fodder for their cattle. Increased meat production will be necessary for feeding the increasing number of industrial workers and to supply raw material to food processing industries in the urban and rural areas of the Province.
As an example, it can be mentioned that the Italians and Japanese have developed computer systems for feeding cattle, which are just standing stationary in booths. In this way the cattle is provided with all necessary nutrients, minerals and vitamins required for an optimum and fast growth. The meat production costs can in such ways be reduced and the cost benefits can be maximized.
The cooperatives should study and ascertain themselves of that it is not good to let cattle move around as they do at present as it makes the meat tough and chewy. In fact, all what the cattle eat is consumed to keep themselves alive only instead of growing fast and healthy. Besides, the present pastures can be totally destroyed by such practices.
- v. New farming and breeding methods are needed and new types of high yielding fodder grasses should be introduced so that beef cattle can be kept and fed within limited and fenced land areas. Such practices would reduce energy losses with the animals that would otherwise be walking long distances. Water could also be made more readily available together with necessary veterinary services if the beef animals would be more stationary than at present. The quality of meat would also improve and more lean and tender meat would be produced, fetching a higher price to the producers.
- vi. In the more developed farming areas in the Herxi Corridor, suitable mechanization should be developed, so that people can use their time more productively and instead spend more time in upgrading their general educational level and farming knowledge.
The efficiency and the effectiveness has to be introduced into not only the industrial sector but also the agricultural sector. The cooperatives should be encouraged to go into these areas.
- vii. The apple orchards and fruit plantations that were visited in the Gulang county are very good and representative for the types of project activities that may be creating employment and assist people in the area concerned to increase incomes, eradicating the influence of the desert, and conserve water resources. The visited orchard plantation should therefore be seen as a model project for the future development in the province because it demonstrates exactly what measures should be taken to change the desert into blooming and productive land. Other types of fruits could also be grown as well as vegetables.

- viii Small processing industries can be developed in the surrounding areas of those orchards. Such preservation/processing and cold storage facilities, etc. should be in the hands and ownership of the farmers' cooperatives so as to add value to the farmers' produce and production. For this purpose foreign partners, imported technology, training of farmers may be very much needed. The technology must be of the best type and competitive during the next 15 years to come.
- ix. In this regard the cooperative leaders should make study tours to other areas in China with higher technology, for example, to the Shanghai area.
- x. The cooperatives and their production units at all levels must become more quality conscious. The leaders should compare themselves and their products with other areas and fight for the best quality in China. Quality produce and products will in the long run pay off. It is not realistic, in the opinion of the study Mission to start from scratch and produce export quality. The markets in China are large enough and progressively after some time's experience the export markets should be approached.
- xi. The cattle-raising will lead to a lot of small side line production plants like, e.g. leather products, fur-coats, glue, gelatine, etc. Training and the right type of technology are the key elements for success in these fields.
- xii. Fish raising can be increased in many of the small creeks of streams and rivers and in ponds. The rainbow trout farm that was seen in Yongdeng county is a good example of how to use the natural resources, in this case the ground water, for production purposes. Fish can also be raised in cages and "bags" in the clean water streams and rivers in the mountainous areas. Even those streams that have water for only 4-5 months a year can be used for one batch of fingerling breeding into marketable fish. This will further provide farmers in those areas with supplementary incomes. If tourism is growing this fish could be sold to the tourists. The trout farm that was visited has e.g. excess fingerlings which can be sold to other similar projects. Experiments in breeding trout naturally in fresh running water should be made too. At the present point of time the Study Mission has - as of now - endorsed the two mentioned projects, i.e. (i) the fruit orchard, and (ii) the rainbow trout farm projects.
- xiii. In many countries there are successful cooperatives doing reforestation projects and from where cooperatives in Gansu Province can get know-how, experience and hopefully also other assistance. For this purpose the cooperatives in both Turkey and India could be good partners in such assistance programmes.
- xiv. The second important factor to be considered is the present production of about 1.2 billion tree seedlings that will be made available by the

Government Forestry Department to the cooperatives at discounted prices. Poplar trees is presently the dominating species but cooperatives should take the lead to develop even other varieties of trees that may provide better wood and that even grow faster. Of course, further investigations of the agro-climatical conditions would have to be made by relevant experts to be hired by the cooperatives to determine which ones are the most efficient varieties to be introduced.

- xv. Special attention should be paid to sheep and goat breeding. It should e.g. be investigated if Cashmere goats can be imported and what cost benefits and side line activities could be derived from such efforts. The Mission is of the opinion that cooperatives could do extensive breeding of wool-goats under intensive production areas and methods. The results would be both cleaner and higher quality wool as well as more tender meat, better quality skin and as such provide better producers' prices and incomes. Thus, similar thoughts are extended in this case as for the cattle breeding as discussed in points 4-5 and 11 above.

It is further seen possible that small cottage industries for e.g. knitting can be developed around the above proposed wool and cashmere industry. Both hand made or machine made products could be produced. The guiding factor for choice of production lines and methods, would, however, be depending on proper feasibility analysis that will take into account such aspects as market potentials, growth potentials, the availability of technology, know how, skills and of course farmers and their family members willingness to invest and participate in such business.

- xvi. The production of seedless grapes in Nanhu Township will according to the ICA Study Mission have to be coupled with some processing facilities within the next two years to come. Primarily, the Study Mission has discussed the following possible alternatives, i.e. (a) the existing winery expands its wine production; (b) a completely new industry is established for wine production or; (c) an industry is developed together with other cooperatives in collaboration with other fruit processing plants; and (d) joint venture possibilities with foreign cooperatives or private enterprises as partners.

Expertise in the above fields can be found in Australia, Italy, Spain, France, Germany and Austria. Foreign assistance will be required either on a joint venture and/or a management contract basis including the organizing of exchange programmes and study tours of staff.

- xvii..Another great potential is tourism with a lot of possible small service enterprises. The Gansu Province has a very rich cultural heritage that can be further accentuated through a wise promotion by all organisations involved in tourism. The old Silk Road was passing through the Gansu Province bringing in to it the best of cultures, know-how and skills from

both East and West. Many historical and religious relics, monuments and buildings therefore bear witness of the greatness of the past.

Therefore, a great variety of tourists can be attracted to what can be offered in terms of history, mysticism, culture, religion, excitement, nature, scenery and peoples, etc. However, there are a number of aspects that need to be addressed in order the tourism industry would become competitive with other areas in China and elsewhere in the world.

- a. Hotel and accommodation aspects : Improvement of general management, staff training and cleanliness and maintenance of premises and facilities; bathroom finishing, piping and plumbing are to be of higher quality;
- b. Target groups of tourists should be more clearly defined and marketing should be adjusted more to the needs of those groups; the "good tourists" who are looking for "quality services" and who are ready to "spend relatively large amounts of money" should be preferred before the "hippie" type of travellers;
- c. The presence of insects in hotels restaurants etc. such as cockroaches should to the largest possible extent be reduced if not completely eradicated;
- d. Smoking should not be allowed in all places and non smoking rooms in hotels and public buildings should be introduced; cigarette stains should not be accepted on other wise good and expensive carpets in hotels and other public facilities;
- e. Chinese Food in general and the food in Gansu in particular was found of excellent quality. For tourists it is, however, necessary to have some western dishes on the restaurant menus to which those people who are more conservative in their eating habits could sometimes resort;
- f. More detailed instructions, information, and guidance in the form of leaflets, brochures, pamphlets on various trips, tours, scenic and historical spots and places, entertainments, festivals and cultural events are to be developed. Such information should be available apart from in Chinese, also in the Japanese, English, French, German and Spanish languages;
- g. Each Cooperative tourist venture should have at least one employee on duty who is fluent in English. It is also desired that the staff are undergoing continuous language training as a part of their career development. Again the above mentioned languages are recommended;
- h. Study Groups consisting of both cooperative leaders, hotel management and employees should be sent to other and presently, more tourist

attracting areas in China to study in detail what is offered to the tourists.

- i. More adventurous trips and day tours such as camel riding in the Gobi dessert or a few days expeditions to the Quilian Mountain areas on e.g. horse back or mountain tracking, etc. could be further developed. However, the needs for both national security as well as the safety and security aspects of the tourists should be well discussed, planned for and implemented through use of expert knowledge, skills and attitudes. Extensive training in such matters as well as first aid treatment and linkage with medical expertise in the province should be evolved;
- j. High quality tourist souvenirs in the form of paintings, jewelry, pottery, wooden carvings, video films, clothes, photographs, posters, etc. etc. should also be developed, promoted and sold. Competitions amongst members of cooperatives with attractive awards and prizes could be one of the ways to attract people's attention to these aspects and make them participate in such competitions too;
- k. Cooperative Tour Agencies from other parts of the world such as e.g. RESO in Sweden, Cooperative Tourist Agencies in Germany, France, Singapore and India should be contacted for future long-term collaboration in the development of the cooperative tourist industry in Gansu Province; and
- l. It is, however, also important in developing this industry to be aware of possible negative impacts on the local population of foreign tourism. The cooperatives should fight for high standards and morale in all their hotels, amusement areas and tourist activities. Drug abuse, cheap liqueur, call girls, gambling and other "easy earned money" activities should be forbidden in order to avoid morale deprivation and degeneration. High morale amongst leaders, management and staff of various tourist places, hotels and outlets should be honored with rewards, salary increments and other prizes which the Gansu people hold high.

10.3 Summary of the Response by Cooperative Leaders to the Report of the ICA Perspective Planning Mission

Mr. Gao Pengcheng, Deputy Director of the Gansu Provincial Union of Supply and Marketing Cooperatives briefly outlined the views and response of the cooperative leaders in Gansu to the ICA Study Mission's visit and the penultimate day report in the following way.

The Significance of the ICA mission to Gansu province can be summarized in the following seven points :

- i. The Mission is a very significant event in the history of the cooperatives in the Gansu Province, because the Province is in a more difficult situation compared to other provinces and it is the first Mission of such type;
- ii. It is very important for us to improve the conditions as the Mission has proposed;
- iii. The Mission has got a general view of the Province. It has been seen e.g. that 60,000 cooperative employees in the Gansu Province provide services to the people in the Province;
- iv. It is important for us that ICA gets a real picture of the Gansu cooperatives and we have made our best to provide the Mission with quite an amount of socio economic and cooperative statistics, data and information for this purpose. It has been made clear to us through the above report that the ICA Mission has really analyzed all the information and understood our situation;
- v. Gansu Province is a more closed province than others. Therefore, it is very valuable for us to get information from abroad. It has therefore, been invaluable to travel together with the Mission and throughout the past two weeks we have received the very frank and open opinion on various matters by the Mission members. From this we have learnt a lot and this knowledge has strengthened our morale and spirit to continue all efforts to develop further our cooperatives. We have also seen more clearly than ever before some of our weaknesses and the problems we are facing in these development efforts. The experience of the Mission members from their work in other countries has been shared with us and we have benefitted greatly;
- vi. We realize that for cooperative development in China it is presently, very important to exchange views and visions as has been done in this case; and
- vii. Through the visit of this Mission we have also realized what are the values and principles of cooperatives. We also realize that cooperatives must be run according to "Cooperative Principles" so that services that are really needed can be provided to the member farmers.

The achievements and problems of the cooperatives in Gansu Province.

- i. In development of our cooperatives there is still a long way to go;
- ii. However, we have three advantageous factors in the Province : (a)the Province is rich in natural resources, minerals, agriculture and sideline

activities; (b) the Union cooperative is rich in labor with lots of employees; and (c) every employee has a very high working spirit; and

- iii. We are facing 4 main problems : (a) shortage of advanced technology; (b) lack of funds - we have the responsibility but no funds; (c) shortage of cooperative managers, who are well trained etc.; and (d) shortage of training facilities.

To solve these problems we depend mostly on ourselves, especially, when it comes to improve the education and training facilities.

On the other hand, we find it not so easy to solve those problems within a short period of time :

- i. The Union cooperative wants to discuss with ICA on planning of future cooperation and development assistance;
- ii. We think that the social results of the ICA Mission are most important and now we understand what kind of experience etc. that ICA can provide;
- iii. We do not expect the ICA Mission to promise financial support for certain projects but rather we hope to gain from the experience, advanced management and technology that can be made available directly from ICA or its members to be used in the development of our cooperatives;
- iv. If it is possible for ICA to assist in project identification and in doing some special feasibility studies together with us, we think this would help increase the farmers' incomes and improve their standards of living;
- v. We understand that it will not be easy to reach fast results, for e.g. in finding and negotiating funding for some of our projects where we will need external assistance. But we will do our best to make this a successful programme;
- vi. Some of the projects proposed are expected to give long-term benefits and that is good but for the moment we have very little funds to tie up for such long-term investments;
- vii. There are two reasons - investments for these long-term projects are big. According to the government instruction it is a job for the government to carry out such projects but we are willing to act as partners with the government (forestry preservation, water irrigation, etc). The problem is lack of funds, not a political one;
- viii. As regards the other project proposals in the fields of education, agricultural projects, processing, etc. the Cooperative Union could immediately undertake them, as we have the ability to do so;
- ix. The 19 project proposals we have shown to the Mission have been selected from more than 100 projects in the Union cooperatives long-

term planning base. Some are as also expressed by the Mission possible to undertake at once. In our opinion the following are projects that can be implemented soon : (a) the apple orchard; (b) the grape field development; (c) educational improvements; and (d) tourism;

- x. We also hope that ICA can help us in finding some international funding;
- xi. After we have got the Mission Report we would like to make feasibility studies as the Mission has suggested; and
- xii. In order we may assist the Study Mission to analyze in further detail some of the more technical aspects of our cooperatives and their situation we will as requested further provide the Study Mission with the following documentation:
 - Statements of the Union cooperative for the period 1982-1988;
 - All business statements : 1978-88;
 - Purchases and Sales of Agriculture Products : 1982-88;
 - The Union Cooperative investments for construction : 1982-1988;
 - Lanzhou Department Store Investments 1977-1988;
 - The Gansu Province : specification of fertilizers prices;
 - The Union Cooperative organization chart;
 - Enterprise organization chart for Union Cooperative;
 - List of names of persons we have met during the field trip.

Some of the above documents will be given to ICA now and some others as narrated below will be brought to New Delhi, early in October 1989.

- Long-term planning of the Gulang Apple Orchard;
- Fenagle primary Cooperative, Wuwei City business statements;
- Long-term planning for the Education of the Union Cooperative;
- Long-term Planing for the Union Cooperative.

We can not provide the Long-Term Plan for Gansu Province, as it is presently subject to a big revision. This has to be reported to the People's Congress in March 1990. When duly approved it will be made available to ICA.

It is recognized that the Cooperative Development Plan should, of course, be a part of the Gansu Provincial Plan which in turn is part of the National Plan. Therefore, We must have congruence between the Mission proposals and those provincial development plans.

Mr. Gao further promised to see to it that this congruence will be checked by cooperative executives when they get the draft ICA Mission Report.

10.4 Review of the Meeting with Mr. Wang, Director of GPUSMC

The Head of The ICA Study Mission briefly outlined in summary form the impressions of the mission as narrated here below.

Strength of Gansu

- i. Supply of mineral resources,
- ii. Farm labor,
- iii. Highly motivated staff of the cooperatives.

However, there is a great need of capital investments for the purpose exploiting the natural resources. The need for up grading the general level of staff competence and training as well as need to raise the level of technology used in production and processing must also be given high priorities.

As regards this Mission ICA has first to complete a draft Mission Report. ICA will thereafter send the Draft Report to the GPUSMC to get critical but at the same time constructive views and comments. Thereafter, ICA will incorporate those comments in the final report. Then there should be held a joint planning meeting with you and other cooperative leaders in the province.

The report itself will attempt to outline the major development areas to be focused on in the future. It will also outline the possible policies, objectives & strategies that will be required to make possible the development aimed at.

Later on when designing the Perspective Plan there would be a need to go through what types of projects, etc. are needed for the next 15 years in order important sub-programmes may be successfully implemented too. Various partners who will be working with you on for example, financing, on various projects, etc. will also have to be identified. Besides, the time schedules for various projects and budgets would have to be stated.

This would necessitate the earliest possible involvement of for example, donor agencies, so that they get genuinely involved in your problems. This is necessary so that they can line up with your ambitions and visions, etc. at an early stage. Then possible funding discussions with foreign donors would be much easier and faster.

The ICA Mission understands very well the urge of the Cooperative Union to get in fast and get fast results but it is very important that every party involved will be fully aware of the expected results and their forthcoming duties and responsibilities.

The Mission thinks that the most important and may be global problems in Gansu are of environmental character, that is, water and irrigation supply,

soil conservation, plantation and reforestation. The Mission is, however, at the same time fully aware that these activities are not the sole responsibility of the cooperatives, but there is a definitive connection between the environmental situation, the agro-climatical conditions, farm production and productivity and thereby also the income generation possibilities and the well being of the farming community. These aspects can not be isolated to any one single government department, but is the responsibility of each one citizen and thereby also their organisations such as the cooperatives. Collaboration and coordination of all efforts in this field can give productive results for coming generations.

The ICA Mission, therefore, does not mean that the cooperatives will take the lead in the environmental area but ICA would like to urge the cooperatives to engage themselves in this type of work too. For example, in sinking of tube wells for irrigation of farm land, the planting of trees in certain areas and to preserve water resources in the ground. Trees can be grown for different purposes, i.e. for the production of timber (for the making of furniture) or for faster cash income purposes (as in the case of fruit trees).

One very good project proposal that has been shown to the ICA Mission is the apple orchard in Gulang. We think that the multiplying effect of this project is high and it is a good model for other farmers for the improvement of the environment, generation of employment and increase of farmers incomes etc. The ICA Mission also believes that a lot of sideline processing industries could as well be developed around orchards of this type.

Another good project is the Rainbow Trout Breeding and Production Plant. It is the opinion of the ICA Mission that raising of fish could be done in a lot of creeks and rivers even if only during some few months per year in some instances. For example, cage raising like in Sweden and also breeding of other types of fish such as Tilapia (which is grown in large quantities in Africa) should be considered. Investments are small in such cases and the character of the projects are quite different from building dams and ponds that require both sophisticated technology, a lot of time and funds. It should be noted that many such fish production arrangements in floating rivers do not disturb water flows and downstream water levels. Actually, the same water can be utilized many times on its way downstream without being disturbingly polluted. Water channels for irrigation purposes can also be used for fish-raising. Increased fish production will support the growing tourist industry.

It is quite possible that the above Trout Project may provide other areas with fingerlings. One major problem, though, is that the mortality rate is high.

Mortality rate is as high as 70% and should be only 40%. If the death rates could be reduced it would increase the financial returns significantly.

Animal husbandry can be increased in Gansu Province. There is plenty of grass lands which at present is a little bit wrongly used. The Mission would suggest that cooperatives in the upper parts of the Herxi Corridor should embark upon extensive meat production and cashmere hair and wool production. Instead of free walking animals they should be stationary and more fodder grasses should instead be grown. The veterinary services would be easier and animal health and productivity will be improved. Meat will also be more tender, easier to cook and fetch better producers' prices.

Mechanization of farming is necessary. A lot of land that has been seen by the Study Mission can be used better. And the labour could instead be used for producing more input material for sideline activities. Small hand tractors could be increased instead of, as is the case at present, farmers are using draft animals which can not be used continually throughout the year. Instead they e.g. eat constantly and therefore also carry costs continually, which small suitable hand tractors do not. In addition, with appropriate mechanization time could be saved for farmers. Such "spare time" could instead be used for additional education and training and improvements of homesteads and sanitary conditions.

The Gobi Desert has a lot of oases. There also seem to be water in the mountains which could be further used. Artesian wells have been drilled in many places both in Pakistan and Turkey and by so doing in the mountain ranges in The Gobi Dessert the oases could be expanded area wise and even new ones could be developed.

The rich cultural heritage invites to exploit tourism as a source of income. The improvements of the cooperative hotels should be continued and may after appropriate feasibility studies and careful planning according to demands in the market even be increased in number. Cooperation with cooperative tourist organisations in other countries could help bring in more of wanted types of tourists. The type of tourists you should therefore aim at would be people who are interested in culture and the historical and religious inheritance of the Province. You have even to address a certain type of people of foreign middle-class, who would for example like to explore the "Silk Road".

Upgrading of the hotels will cost some money but is necessary. Arranging of sight-seeing tours, scenic spots, the exchange of sports events, arranging of hiking tours into the dessert etc. are other example of healthy tourist activities that can be further developed.

The Cooperatives in Japan, USA, Singapore or Sweden could be interested to send in tourist groups to Gansu Province.

Hotel management has to be upgraded, plumbing has to be improved and bathrooms, at least in some places, have to be somewhat more modernized to comply with international standards.

More adequate information to tourists has to be provided as well as that there will be an upgrading of the language skills both in the case of written material and with personnel involved in the tourist industry. Tourist branch staff have to be very service minded and must be a little extra caring about their guests and their needs.

Payments for tourist services should be made at the local level. In many other countries the mistake has been done in the sense that tourists do not bring in money to the rural areas because payments are normally made abroad. Thereby, the local people may be robbed of both lucrative incomes and foreign exchange earnings. It must, therefore, in the interest of the cooperatives in Gansu be arranged that payments as far as possible are made locally.

In many parts of the world the moral values are degenerated and over commercialization is taking over as a result of tourism and for many good tourists the interest in visiting such places has diminished.

Investments in marketing and processing plants could be speeded up if the turnover of the right type of goods in the department stores could be increased. Today the turnover of many types of good in the cooperative stores is too slow. Surveys of consumer demands should be made so that the stock holding can be better adjusted to demands. The agricultural banks staff has pointed out to the Mission the problem of stagnating stocks of e.g. colour TVs and refrigerators. Also there is a problem of stocks which are tied up during certain months. If the stock levels can be reduced automatically the faster the stocks can move. Less amounts of money can be tied up as well as that the costs for capital and floor space can be reduced. Improved efficiency will provide better economic results of the cooperative outfits too.

What can then the Gansu Union Cooperatives and ICA ROAP do together?

For example, jointly we could provide for management training in various areas. One such area is in development of the department stores.

Another training area is for the purpose of identification of potential cooperative projects. ICA can provide assistance in this area in three different ways :

- i. to arrange Project Identification and Planning courses at local level for a period of 6 weeks with a maximum of 16 participants per course (details have been given in earlier notes in this report);
- ii. 6 months Agriculture Cooperative Management course financed by the Japanese Government and conducted annually by the ICA ROAP in four countries. Six Chinese participants have already gone through this course; and
- iii. Mr. Guo Yong Kang who is now the Agricultural Cooperative Development Advisor in the ICA ROAP will directly assist in making new feasibility

studies. Certain training can also be done by him in connection with such consultancy inputs.

The establishment of better monitoring and supervision systems using computers seem to be advisable too. The Union Cooperative would then be able to follow much better what is going on in the field.

ICA will also be able to assist in finding possible experts from other countries in the tourism and fields of reforestation and plantations.

ICA may also assist in negotiating funding from donor organisations for good projects. Such negotiations, however, will take some time before results may come.

Mr. Wang's Comments

Something can be done already either by the Union Cooperative itself or it can be carried out by the government departments such as work regarding training in and doing water conservation, tree planting, and in the fields of provision of new science and technology.

Gansu is a poor province. Technology and Science is rather backward. Fast results should not be expected. The cooperative staff competence is rather low. The enterprise management level is backward compared to other provinces. We should, however, be able to solve the problems gradually.

We find the assistance from ICA very important and we both value and welcome all proposals we have obtained from this Mission.

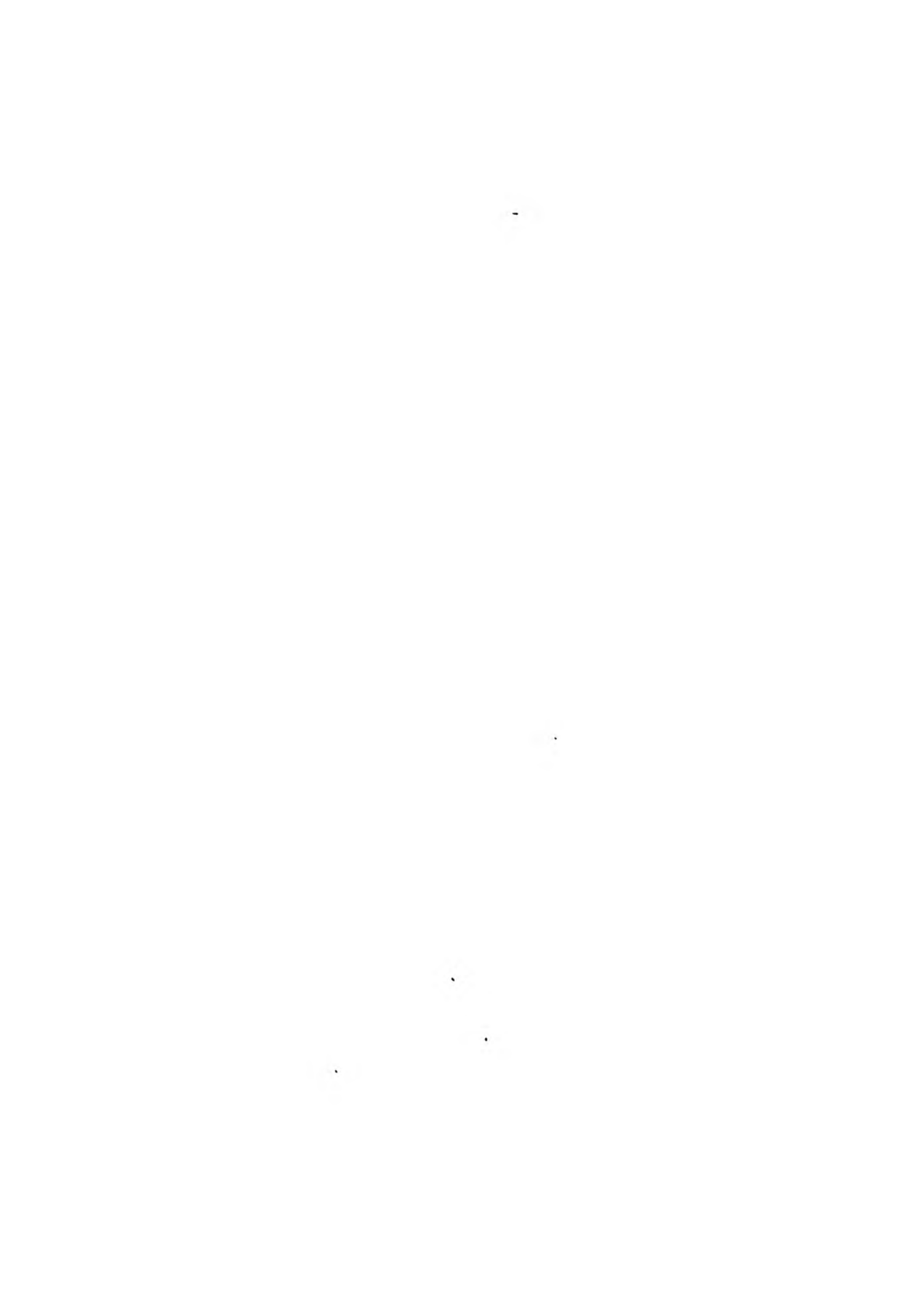
I am very glad to hear that ICA can come and do something about training in project identification. Also we welcome other ICA staff to visit us and we will accommodate as much as we can of both personnel, funds and time to become a worthy counterpart for such assistance efforts.

We will immediately do some research and give our reactions when we get the draft report of this Study Mission.

I believe that after 15 days study the Study Mission will finish it successfully. We will also arrange for inviting our staff from the field to discuss your Plan Proposal when it is available.

Of course, your intended visit to the World Bank in Beijing on our behalf is fully endorsed by our cooperatives.

A p p e n d i c e s



APPENDIX-1

Gansu Province Agricultural Statistics 1987

(Figures in brackets represent national totals for comparative purposes).

Population

a. Total	21,034,099 (1,069,164,090)	(excluding servicemen and inhabitant of Taiwan, Hong Kong and Overseas Chinese).
b. Agricultural	17,670,053 (856,481,360)	84.01% of total population (80.11%).
c. Non-Agricultural	3,364,046 (212,682,730)	15.99% (19.89%)

Rural Basic Statistics

a. Township governments	1,354	(58,210)
b. Townships with minority nationalities.	45	(3,248)
c. Town governments	157	(10,280)
d. Towns with minority nationalities.	Nil	(174)
e. Villages boards	17,479	(830,302)
f. Rural households	3,158,000	(201,685,000)
g. Rural population	17,546,000	(857,227,000)

Number of labour force of townships

a. Total	7,602,000	(390,004,000)
b. Agriculture, forestry, animal husbandry, sideline production and fishery.	6,187,000	(308,700,000)

c. Of which :		
1. Industry	202,000	(32,972,000)
Of which:		
i. Township	60,000	(11,640,000)
ii. Village	60,000	(11,593,000)
iii. Under village	82,000	(9,653,000)
2. Construction	220,000	(14,313,000)
3. Transport cost (telecom.)	76,000	(5,625,000)
4. Commerce, catering and service trade.	79,000	(6,069,000)
5. Management of residential buildings, public utilities resident and advisory services trade.	12,000	(1,381,000)
6. Public health, sports & social welfare.	25,000	(1,270,000)
7. Education, culture, art, radio, TV.	63,000	(3,319,000)
8. Scientific, research & comprehensive technical services.	1,000	(516,000)
9. Finance & insurance	1,000	(162,000)
10. Management of township economic associations	15,000	(1,196,000)
11. Others	721,000	(15,020,000)
d. Women Labourers	3,272,000	(177,879,000)

**Consumption of Gross Agricultural Output Value 1987
(1987 current prices) with Gross
Agricultural Output Value = 100**

a. Crop farming	63.09	(60.7)
b. Forestry	5.2	(4.7)
c. Animal husbandry	24.2	(22.8)
d. Sideline production	6.6	(7.0)
e. Fishery	0.1	(4.8)

**Gross Agricultural Output Value 1987
(At 1980 Constant Prices) in 100 million Yuan***

a. Crop farming	29.51	(2,048.31)
b. Forestry	2.47	(140.83)
c. Animal husbandry	10.41	(611.89)
d. Sideline production	3.81	(285.76)
e. Fishery	0.02	(98.35)
Total	46.22	(3,185.14)

**Agricultural Physical Consumption 1987
(1987 Current Prices) in 100 million Yuan**

a. Crop farming	15.33	(804.92)
b. Forestry	1.18	(47.45)
c. Animal husbandry	6.97	(491.77)
d. Sideline production	1.35	(108.48)
e. Fishery	0.02	(69.21)
Total	24.85	(1,521.83)

Average Yield of Major Farm Per Capita 1987 in K.G

a. Grain	253.6	(380.1)
b. Cotton	0.2	(4.0)
c. Oil bearing crops	14.1	(14.3)
Of which:		
- Peanuts:		
- Rape seed:	4.3	(12.5)
- Sesame:		
d. Sugar crops	27.0	(52.1)

* 1 US\$ = 5.2 Yuan

**Agricultural Net Output Value 1987
(1987 Current Prices) in 100 million Yuan**

a. Crop Farming	26.51	(2,033.01)
b. Forestry	2.27	(174.53)
c. Animal Husbandry	8.88	(574.01)
d. Sideline Production	2.96	(216.67)
e. Fishery	0.04	(155.65)
Total	40.66	(3,153.87)

Gross Rural Society Output Value 1987 (in 100 million Yuan)

a. Agriculture	65.51	(4,675.70)
b. Industry	13.80	(3,284.86)
c. Construction	7.39	(723.31)
d. Transport	4.28	(334.47)
e. Domestic Trade, Catering and Service Trade	4.52	(413.27)
Total	95.50	(9,431.61)

Output and Sown Area of Major Farm Crops 1987

1. Total Sown Area (10,000 Hectares)	357.93	(14,495.65)
a. Grain Crops:		
i. Sown Area	282.05	(11,126.80)
ii. Output(10,000 tons)	529.40	(40,473.3)
iii. Yield/Ha (Kg)	1,875.00	(3,630.0)
b. Of which sown crops		
i. Sown area	176.10	(3,051.14)
ii. Output (10,000 tons)	347.10	(9,234.8)
iii. Yield/Ha (Kg)	1,965.0	(3,030.0)

Output and Sown Area of Major Crops 1987

	Sown Area (10,000 Ha)	Output (10,000)	Yield K.G
1. Rice	0.39 (3,219.28)	2.2 (17,441.6)	5,685 (5,415)
2. Wheat	142.83 (2,879.79)	302.0 (8,776.8)	2,115.0 (3,045)
Of which:			
"Spring"	70.46 (424.27)	199.8 (889.05)	2,835.0 (2,100)
3. Tubers	27.11 (886.75)	41.3 (2,822.3)	1,530 (3,180)
Of which:			
Potato	27.11 (258.48)	41.3 (533.7)	1,530 (2,055)
4. Corn	25.29 (2,021.17)	89.05 (7,982.22)	3,540 (3,945)
5. Sorghum	2.35 (186.37)	5.9 (542.08)	2,520 (2,910)
6. Millet husk	6.57 (268.82)	6.4 (453.08)	960 (1,695)
7. Other Misc.			
Grains	72.09 (820.13)	74.4 (1,235.4)	1,035 (1,500)
8. Soybean	5.43 (844.49)	7.7 (1,235.4)	1,410 (1,440)

Output of Major Industrial Crops 1987

Crops	Sown Area 10,000 Ha	Output Tons	Yield/Ha KG.
1. Cotton	0.48 (484.42)	4,983 (4,245,149)	1,035 (870)
2. Oil bearing crops	28.95 (1,118.05)	294,459 (15,277,774)	1,020 (1,365)
a. Peanuts	0.01 (302,21)	166 (6,170,737)	2,070 (2,325)
b. Rape seed	8.19 (526.74)	89,701 (6,605,161)	1,095 (1,260)
c. Sesame	- (86.94)	15 (525,784)	- (600)
d. Linseed	18.49 (75.69)	162,843 (444,179)	885 (585)
e. Sunflower seed	1.08 (88.71)	30,056 (1,241,283)	2,790 (1,395)
3. Bast fibers	0.24 (96.67)	2,751 (2,083,639)	1,140 (2,160)
a. Jute, kenaf	-	-	-
b. Ramie	-	-	-
c. Hemp	0.24 (3.74)	2,751 (44,323)	1,140 (1,185)
d. Flax	-	-	-
4. Sugar crops	1.82 (135.66)	563,182 (55,503,710)	30,945 (40,920)
Out of which:			
a. Sugarcane	- (85.89)	- (47,393,461)	- (55,140)
b. Sugar beat	1.82 (49.77)	563,182 (8,140,249)	30,945 (16,350)
5. Tobacco	- (112,80)	10,366 (1,942,527)	2,475 (1,725)
a. Cured tobacco	0.14 (91.34)	3,849 (1,636,094)	2,760 -
6. Medical crops	1.73 (15.85)	-	-
7. Other industrial crops	2.73 (108.99)	-	-

Output of Silkworm Cocoon, Tea & Fruits 1987 (in Tons)

1. Silkworm cocoons	49	(402,151)
a. Mulberry silkworm cocoons	49	(353,535)
b. Tussal SW cocoons	-	(48,531)
2. Tea	89	(507,971)
a. Semimade, black	-	(125,386)
b. Semimade, green	89	(301,089)
3. Fruits	271,743	(16,679,159)
a. Bananas	-	(2,029,498)
b. Apples	127,928	(4,263,830)
c. Citrus	612	(3,223,848)
d. Pears	47,193	(2,489,039)
e. Grapes	1,093	(640,878)
f. Pineapple	-	(411,630)
g. Chinese dates	9,033	(571,508)
h. Persimmon	9,909	(760,630)
i. Litchi	-	(116,220)
j. Logan	-	(81,692)

**Areas of Mulberry, Oak Planting, Tea Planting
and Orchards 1987 (10,000 Ha:s)**

1. Mulberry	0.11	(33.77)
2. Oak planting		
	0.15	(87.07)
Of which:		
a. Breed	-	(51.21)
3. Tea planting	0.05	(104.41)
Of which:		
a. Picked	0.03	(80.92)
4. Orchards	10.92	(450.83)
Bananas	-	(15.27)
Apples	7.60	(144.09)
Citrus	0.60	(86.37)
Pears	1.63	(44.15)
Grapes	0.49	(14.27)

State Forest Farms 1987

1. Number of forest farms	302	(4,185)
Of which:		
a. Forestation	260	(2,198)
b. Management	38	(1,846)
c. Others	4	(141)
2. Number of staff/workers (year end figures)	24,900	(761,446)
a. Regular staff and workers	14,562	(556,195)

Storage and Operations Hectarage of State Forest Farms

1. Operations (10,000 Ha:s)		
a. Total	517.04	(5,295.01)
b. Forest	128.15	(2,575.44)
c. Appropriate afforested area	56.15	(984.59)
d. Farm land	12.59	(241.73)
2. Storage on management		
a. Wood	84,930,000	(171,367,000)
b. Bamboo	Nil	

Afforested Area of State Farms & Grown Seedling Areas (10,000 Ha:s)

	<u>1986</u>	<u>1987</u>
a. Afforested areas	3.07	2.72
	(47.52)	(52.01)
b. Grown seedlings areas	2.19	1.63
	(35.41)	(27.95)

Output of Forest Production 1987 (Tons)

a. Liquor	32.9	(3,295.80)
b. Tea oil	Nil	(518,397.60)
c. Tung oil	257.50	(341,741.60)
d. Chinese tallow seed	Nil	(68,832.90)
e. Pine resin	Nil	(522,917.10)
f. Palm chip	52.4	(35,830.80)
g. Bamboo shoots chip	Nil	(62,402.20)
h. Walnuts	12,525.40	(147,240.90)
i. Chinese chestnuts	91.00	(114,539.20)

Output of Timber, Bamboo and Sawn Lumber 1986 & 1987

	<u>1986</u>	<u>1987</u>
a. Timber (10,000 m)	58.63 (6,502.42)	54.63 (6,407.86)
b. Bamboo (10,000 pieces)	Nil (7,716.05)	Nil (11,854.81)
c. Sawn lumber (10,000 m)	22.69 (1,505.20)	16.83 (1,471.91)

Output of Timber of Rural Collective and Peasants Households 1986 and 1987

	<u>1986</u>	<u>1987</u>
a. Timber (10,000 m)	20.4 (2,966.7)	18.1 (2,515.3)
b. Bamboo	Nil	Nil

**Output of Plywood, Shaving Board and
Fibre Board 1986 and 1987 (in 10,000 m)**

	<u>1986</u>	<u>1987</u>
a. Plywood	0.73 (61.08)	0.13 (77.63)
b. Shaving board	Nil (21.03)	0.05 (37.78)
c. Fiber board	0.36 (102.70)	1.15 (120.65)

Output of Resin Tannin Extract and Shellac 1986 & 1987 (Tons)

	<u>1986</u>	<u>1987</u>
a. Resin	Nil	Nil
b. Tannin	Nil	1,052
c. Shellac	Nil	Nil

**Output of Meat of Slaughtered Animals 1987
(10,000 Heads)**

a. Fatling hogs	414.2	(26,177.00)
b. Beef cattle sold and slaughtered individually.	27.3	(740.30)
c. Sheep & goats	207.9	(6,052.90)
d. Total output of meat	32.3	(2,215.50)
Of which:		
- Pork	25.1	(1,834.90)
- Beef	2.6	(79.20)
- Mutton	3.1	(71.90)
- Poultry meat	1.1	(219.40)
- Rabbit meat	0.4	(10.10)

Output of Major Livestock Products 1987

a. Milk(10,000)	6.8	(378.8)
i) Cow milk	6.6	(330.1)
b. Goat wool (tons)	1,014	(12,611)
c. Sheep wool(tons)	13,473	(208,908)
i) Fine wool (tons)	4,442	(100,058)
ii) Semi fine wool (tons)	1,954	(37,041)
d. Cashmere (tons)	191	(4,002)
e. Honey (10,000 tons)	0.3	(20.4)
f. Eggs (10,000 tons)	6.8	(590.2)

Number of Domestic Animals 1987 (10,000 Heads)

a. Large animals year end figure	556.1	(12,191.1)
i) Draught animals	335.5	(7,113.1)
b. Cattle:		
i) Total	318.7	(9,465.1)
- Fertile cows	128.5	(3,690.0)
- Young animals born the same year.	55.3	(1,490.9)

Visit to the Rainbow Trout Project in Yongdeng County

In order to take advantage of the local water resources the Yongdeng County Supply and Marketing Cooperative Union with the support from the GPUSMC set up a Rainbow Trout Project in 1986. The ICA Study Mission visited the project and made the following observations.

Project area

The Project site covers a total area of 5.3 Mu of which 1.87 Mu is presently making up the pond area.

Investments

The total investment was 218,000 Yuan and covered the following costs:

	<u>Yuan</u>
- Construction of Ponds & diversion of water ways:	124,000
- Hatchery :	4,000
- Fry :	50,000
- Working Capital :	39,400

Employment

There are at present 5 persons employed in the project, i.e. the Manager and 4 workers.

Production

153,000 fingerlings have been transplanted into the ponds distributed on 82,000 fingerlings in November 1986 and 53,000 fingerlings in May 1988.

At the time of the visit of the ICA Study Mission in 1989 September 66,500 kgs. of marketable fish had been sold. Besides, the hatching which was

started in October 1988 has so far produced 450,000 fingerlings out of which 300,000 was for sale.

Economics

The plans have been that for a period of three years the profits would be distributed as follows:

To the County Union - Yuan 175,000; Profits above 175,000 Yuan will be divided between (a) the contractor - 40% and (b) the County Union - 60%.

At the time of the visit of the ICA Study Mission data showed that costs of production and sales was Yuan 14 - while sales price was Yuan 18 per kg. Besides, profits had so far reached 26,000 Yuan.

In the following a review of the on site discussions are narrated.

First, the project seem useful to the local farmers, and if water is available let farmers decide whether or not they would like to join the project and expand it. The Union can arrange exchange programmes for farmers even from other areas where there is a scope for replication. Care must be taken, though, not to saturate the market.

In general the project concept is good. Management will however, have to be improved. A professional Technical Adviser is required.

Market

The fish is of very good quality and with such a high price as Yuan 18 per kg only hotels with foreign tourist could make up the market.

Costs

The costs include administration fees, land, labour, (i.e. all fixed and variable costs). As the visit lasted only one and a half hour it was not possible to establish if costs given as Yuan 14 per kg are really correctly computed.

Feed and Technology

Part of the feed is imported. The technicians have experience but more appropriate technology should be obtained from qualified fisheries technicians. The Union Cooperative could during a specified introduction period provide such a person. A high morality rate of 70% in growing fingerlings has been experienced and this problem must be tackled at the earliest. Discussions on e.g. what type of fish would be most suitable for breeding. Analysis

of economics of breeding various alternatives of fish must be held. May be there is other type of fish which are not so sensitive to the environment and that can eat local feeds in stead of imported.

What about the future market and growth potential? How much increase in production can there be? These are other aspects which need an urgent investigation. The Study Mission was told that the local market is limited and in the future the project will have to sell even to other provinces e.g. Shanghai where the purchasing power is higher or high enough. Tourism will, however, increase and thereby also the demand by hotels for this type of fish.

Conclusion

- a. A **feasibility study** is to be made in order to give the necessary answers to the above and the following questions:
 - Market Potential;
 - Can Management be improved and how?
 - Can the project be replicated;
 - Will farmers really be willing to participate in such projects?
 - Is required technology and skills available?
- b. It is also necessary to make a **baseline survey** on water resource development and potential species of fish for breeding in those existing or future water channels/ reservoirs that may suitable for fish production.

Visit to the Orchard Project of Gulang County Union of Supply and Marketing Cooperatives

1. Background

In 1987 and 1988 the Gulang County Union of Supply and Marketing Cooperatives in collaboration with the GPUSMC set up an apple orchard on 2,950 Mu. The two cooperative unions have raised a total of 1.28 million Yuan for the Project. During the visit to the project site, the ICA Study Mission was very much impressed with the work done and results achieved by the project. Especially, the Mission members congratulated the cooperative leaders concerned to good efforts in turning practically desert land into fertile farmland by using tub well water to irrigate and plant useful cash crops. It was further noted that the project can very well serve as a good example on how people can return land that has been useless thousands of years into profitable land. It is also an example of how mankind can combat environmental problems and turn them in their favour. Here below the ICA Study Mission gives further details of how this successful project after necessary follow-up and further mounting and improvements may be replicated elsewhere by cooperatives.

2. Activities Undertaken by the Project

Land levelling of 1,450 Mu had been done up to the time of the visit. Over 6,900 meters of wind breaking walls had been constructed and 17,000 poplar trees had been planted in order to provide shelter for crops and orchards planted. Hard desert winds and heat in the otherwise rather flat landscape would otherwise jeopardize the farming efforts.

Six tube wells had been dug and 1,136 Mu had been planted with over 45,400 fruit trees of which almost 42,000 were apple trees. A nursery with about 150,000 seedlings had also been planted on 13 Mu of land.

Flax, melon, sunflower, cauliflower and various other vegetables had been planted in 1987 on the free space between the fruit trees and on the open waste land in order to bind sand and soils. Those crops had been harvested and sold with a profit of about 20,000 Yuan. In 1988 such sales was estimated to reach 300,000 Yuan with an expected net profit of about 60,000 Yuan.

3. Labour and Wages

The local peasants from Sandun Village have worked for the project and earned a total of Yuan 140,000 in wages. This represents according to the area cooperative leaders an increase of Yuan 93.20 per capita income.

4. Cooperative Progress

Apart from that the project has so far created job opportunities and helped increase the incomes of the farm families in Sandun Village, it has established very positive base for cooperative growth and development. Once again it has through this project been proved what peoples' hands can achieve if they are joined. The spirit of working together for a common good purpose has been further raised. What one man could not do alone was possible through these joint efforts. In addition, individual and very poor farmer members have also got a total of 41,400 fruit trees planted adjacent to their homes. This has again increased members' belief in the cooperative as an instrument for individual social progress.

5. Other Impressions and Aspects

During the visit the ICA Study Mission also raised a number of questions and ventilated many aspects that may be crucial in the future development of the project and its possible replication.

What is the market potential? What varieties should be grown? It was expressed by the leaders that as prices of apples have gone up steadily over the last three years marketing should not be any problem. Is there any other province which produces apples? What competition can be expected? At the moment the project seems good. The principles of the project are sound. Farmers get good incomes and the cooperative also get some income. This project can become a model for land rehabilitation and income generation. Two other groups of farmers have already followed the example of this project. Activities of this kind can improve the environment. Added value can further be obtained if fruits are processed.

However, management is not yet professional - skills in e.g. planning pruning of trees, watering etc. need to be improved. A complete feasibility study translated into English should be undertaken in order to attract possible foreign capital to assist in escalated development efforts in this dessert area. The Union's Five Year Plan should also carry details for support to this programme.

Visit to Fengle Supply and Marketing Cooperatives

On the way to the above cooperatives the ICA Study Mission was briefed by our Chinese counterparts on the educational system in general and the agricultural education in particular. Here below is given a review of those discussions.

1. Education

The basic education provided by the Government is - 80% paid by the government while the students pay for the remaining 20%. Most of the staff of the cooperatives have reached middle school level i.e. after 9 years of schooling.

2. Agricultural Education

The Agricultural Specific School which is also called "*The First Level*" is open to farmers' children who have passed the primary school. This school which is for a 4 years period concentrates on agricultural science, agricultural economics, and simple research.

After passing the test from the Agricultural Specific School the "Young Farmers" can continue with the "*Second Level*" for another 3 years at the Agricultural Middle School. This education is provided free to those who have managed to enter it.

Besides, there is a "*Part Time Agricultural School*" which is open to all farmers and provides education according to both the specific needs of the farmer participants and the time they may be able to spare for this learning process. This education, of course, has a certain basic frame work and curricula into which individual farmers needs are put.

The TV Broadcasting School covers all subjects in agricultural technology and economics through TV programmes and is therefore open to the whole public. Examinations are even provided and the programme is very popular.

From the above it can be noted that staff of cooperatives are not trained in the Agricultural Schools. Most often though, they are farmers themselves or

members of farm families. In order to increase more authentic and scientific agricultural knowledge in the cooperatives some students graduating from the agricultural schools are recruited to work with the cooperatives.

3. The Fenge Supply & Marketing Cooperatives

The activities consist of retail shops at village levels, operations of production and marketing groups, such as the Association of Production and Marketing of Sunflowers.

The Production Groups Organise farmer's production, input supply and marketing activities. This kind of association depend on themselves. No formal registration is required. They are supported by the existing cooperatives.

4. Special Cooperatives

There are two types of special cooperatives : (i) Production Cooperatives; and (ii) Individual Businessmen Cooperatives Retailers who are provided with goods by other existing cooperatives. These types of specific cooperatives help farmers to increase their production and incomes; and help the small businessmen to increase their incomes.

The ordinary supply and marketing cooperatives do not see them as competitors. Those specific cooperatives have their own leaders who are elected from within themselves. Their business relation with the real cooperative is in the form of purchase of seed, fertilizers etc. and the marketing and supply cooperative also purchases all their production. The so called businessmen cooperative groups get their supplies from the real cooperative.

5. Policies

The policy of the cooperatives is to create possibilities to encourage, increase and promote production and also to increase incomes of farmers, thereby improving their standards of living.

6. By-Laws

The cooperative by-laws stipulate that : (a) Annual General Meeting is to be held every year; (b) Accounting/Statements are to be given annually to members - it is presently not required to be given to the government; and (c) Every cooperative is considered as a separate legal entity.

7. Local Government Policies and Guidance

Local government policies are stipulated and guidance is provided e.g. for cotton and grains. Local targets are set by the Government and thus, those targets are automatically valid for the cooperatives too. At county level those targets are given also because they have fixed certain taxation targets for the local government expenditures.

8. Women's Involvement

10% of the employees in the primary cooperatives and 40% of the employees in the city Cooperatives are women. The ICA Study Mission was also told that about 50% of the members of the cooperatives are women. The Annual General Meeting is attended by women and men together. Besides, out of the 66 member representatives in the Board of Fenge SMC, seven are women.

9. Spare Time Activities of Farmers

Farmers are organised into many different types of activities by the Village Administration. Besides, the City Cooperative is organising sports activities involving the cooperatives and their members. Youth are encouraged to participate in the city cooperative sports activities in knowledge contests and dancing programmes, both disco and public dancing.

10. Finance

Loans are received from the Agricultural Bank for input supply and marketing activities. 75% of all primary cooperative working capital requirements come from the Agricultural Bank in terms of loans ranging from 3-12 months in repayment period. These loans can also be renewed. The Agricultural Bank's policies are basically two-fold, i.e. (i) to support purchase of produce (all commodities) by the cooperatives from members; and (ii) to encourage cooperatives to run business (purchasing, inputs supply, and sales of implements and machines).

11. Mechanization

As land is flat and levelled with certain irrigation, 1/3 of the harvesting is done by use of machinery. Besides, 100% of all cultivation is done by use of machinery (hand tractors). The Agricultural Machinery Company, which is Government owned, supplies such machinery and facilities. There are now

494 hand tractors operated in the area, but this is not considered to be enough. Money is not available in cash but can be borrowed from the Agriculture Bank. The problem of the bank, however, is that the target is too low for the Branch in the area and there is no other channel for farmers to obtain credit or loans.

12. Provisions from Stores

The Cooperative Stores provide farmers with the following :

- Spare parts,
- Fertilizers,
- Daily necessities,
- Implements, spades and hoes, etc.

APPENDIX-5

Visit to Hexi Trade Building in Zhanqye City

The cooperative has "borrowed" capital 4,000 Yuan from 76 of its new members. The coop pays 15% of the same as bank interest to those new members. There are 146 members. There are also 20,000 farmers who contributed a total of 1,708,000 Yuan through their 22 primary cooperatives. There are 46 personnel and 22 primary cooperatives that get their proportion of the profits. It is thus a company subsidiary of the county cooperative.

Capital

- State Investment;
- Profits from cooperatives;
- Share capital from cooperatives;
- Loans; and
- Guarantee fund from employees which can be withdrawn.

Target

- Gross profit 10 per cent;
- Net profit 2 per cent.

Different Price

- Government fixed price agricultural commodities.
- Daily commodities pricing as per supply and demand.

Problem

Business as e.g. fertilizer with Government fixed prices would always give a loss. We asked for a list of those Government fixed price items; 20% of all items are price controlled; 80% of all items are free for own price fixation. Sales price fixed by the Government are colour televisions, cigarettes, and wine.

This is done through straight out purchases by this cooperative of the above three types of items. Primary cooperative committee decided that member should make their contributions to this project.

Visit to Wuwei City Union of Supply & Marketing Cooperatives

1. Wuwei City

The following presentation of the WCUSMC was made by the Director. Wuwei City has 39 townships with a total of 840,000 inhabitants. It covers a total area of 5,008 square kilometers. 1.51 million Mu is farmland.

The output value of the industrial sector was 1.2 billion Yuan in 1988 while the output value of agriculture in the same year was 0.26 billion Yuan. The total grain output was 0.375 billion kgs.

In 1988 net per capita income of peasants was 437 Yuan. Financial revenue of Wuwei City in 1988 was 47 million Yuan.

2. The Cooperatives - Background

Under the Union there are : 1 Supply and Marketing Cooperative School; 17 Primary Cooperatives; and 2,104 workers and staff of the cooperatives of which 674 are peasants contracted workers.

3. Results in 1988

The results of the Union in 1988 are given below : Total sales volumes was 0.193 billion Yuan; Profits were Yuan 2.44 million Yuan; Taxes paid by the Union were 4.6 million Yuan; and Gross profits were 7.04 million Yuan.

4. Processing Activities

- Within the Union there are 48 different processing units with a total of 310 workers. The total output value was 2.3 million Yuan while profits of those units were Yuan 150,000.
- The main products were of 59 main categories such as e.g. Sauces, Vinegar, Flour, Sweets, Wooden products, Furniture, Clothes, Shoes, Caps, Cakes, etc.

5. Services

- 222 different services networks had been established by 1988 as e.g. repairs of electrical farm tools, leasing of table wears, photography servicing, restaurants, chinese traditional medicines and bookstores:
- Total income of those services in 1988 were Yuan 650,000 with 300 persons engaged in such services; and
- Support is provided by the Union to farmers for certain commodity production purposes. 26,000 Mu land were in 1988 under plantation of Apples; Chilies; Sunflower; Black Melon Seed; Pumpkin Seed, and Water Melon.

6. Production Association

The Union has organised such commodity producing farmers into 8 Production Associations with 9,600 farmers as members. Examples of such associations are apple producers associations.

The total value of the production of the above associations in 1988 was Yuan 0.85 million. 32 courses were organised in 1988 to train farmers in agricultural aspects related to their production and 2,476 persons took part in those training activities. 5,600 booklets were used during the same sessions. 320 tons of chemical fertilizers were provided together with 50,000 kg of improved seeds to the production associations.

7. Cooperative School

The Cooperative School operates in its own premises on 6,700 square meter of land area and 1,400 square meter building area. The total investment has been Yuan 150,000.

Staff and workers comprise 12 full-time employed persons of which three are graduates of universities/colleges.

8. Staff/Workers of the Union

Only 1.5% of all workers are university or secondary school graduates. 34% are high middle school leavers and 64.5% of them come from officer schools or junior middle and primary schools. Besides, 31 persons are economics engineers/accountants. 34 training courses were held during the training year 1978-1988 with 740 staff members participating. The length of the courses varied from periods of 2-6 months.

9. Chicken Breeding

The Union has plans to build a chicken farm with a total investment of 2.5 million Yuan. It will cover a land area of 73 Mu. There will be one hatchery with a capacity of 100,000 per year. The cooperatives will build one unit for breeding layers, one breeding unit for broilers and one breeder stock farm with each a capacity of 10,000 chicken. A feed mill with an annual production capacity of 2,000 tons will also be set up.

10. The 7 Companies of the Union

The 7 companies are dealing with the following main activities:

- Agriculture means Production and Supply such as e.g. fertilizers;
- The household necessities wholesaling and retailing unit : porcelain, pottery, plastic ware and cooking utensils are provided to Cooperative Stores;
- An agriculture sideline products company purchase e.g. black melon seeds from farmers for supply to the towns and cities;
- The industrial goods company is doing bulk purchasing of goods from various industries and selling them to the cooperative stores. This company deals in e.g. electrical appliances, bicycles, motor bicycles, sewing machines, clothes, shoes and caps, etc.;
- The waste metals recovery and utilization company is dealing in non-ferrous metals such as aluminum and copper, etc.;
- A cotton and livestock products company is purchasing e.g. cotton and sheep wool for the purpose of processing of cotton pillows and quilts; and
- The comprehensive supply and marketing company is situated in the town of Huang Yang with 130,000 inhabitants. It buys and sells e.g. fertilizers on both whole sale and retail basis.

Each company is operating independently with their own accounting and own capital structures, while some of the processing units are also operating as branches or activities of the Wuwei City Union of Supply and Marketing Cooperatives.

In 1988 the 7 companies all together made profits of 1.2 million. During the same year they paid 1.7 million Yuan in taxes. Besides, the processing units made Yuan 100,000 in profit.

The Study Mission was told that all the above companies and processing units are said to be running with profits. However, some support in the form of

interest free loans for food and cotton processing are provided by both the Wuwei City Union of Supply and Marketing Cooperatives as well as the Gansu Provincial Cooperative Union. The details of this support are as follows:

- *Loans* without interest (interest is paid for by the Gansu Provincial Cooperative Union. The loan runs with one year's repayment period : Yuan 250,000.
- Received as investment capital in the form of a grant in 1988 : Yuan 100,000.
- *Loan* without interest has been given in 1989 by the Agricultural Bank for building the chicken farm : Yuan 500,000.
- *Grant* in 1989 for building the hotel : Yuan 220,000.
- The WCUSMC has e.g. also given grants of Yuan 40,000 to primary cooperatives and Yuan 120,000 to companies and processing units in 1989 : Yuan 160,000.

All fertilizers, pesticides, sprayers and farm implements sold through the cooperatives in Wuwei City in 1988 were purchased from the Provincial Cooperative Union to the tune of 32 million Yuan.

35 million Yuan worth of other goods was also purchased from the Provincial Cooperative Union for sales through its own outlets or passed on to the primary cooperatives and their stores.

Some of the goods is paid for on delivery while other goods may be paid for after a month or after a period of 3 months. Large quantity goods such as e.g. fertilizers or ginned cotton is given on delivery credit basis. Some of the above processing units and companies have their own quality control operations.

The Wuwei City Union of Supply and Marketing Cooperatives is planning to create some tourist attractions and because of this also turn some part of its building into a hotel.

Visit to Yianuan Supply and Marketing Cooperative Linze County (Primary Cooperative)

1. Background and Results in 1988

There are a total of 52 Production cooperatives operating under this primary cooperative. The total turnover of the Yianuan Supply and Marketing Cooperative (YSMC) in 1988 was 2.82 million Yuan. The profit in the same year amounted to 56,000 Yuan.

2. Activities and Business

Red dates production association with 607 households has been set up by the cooperative. The output has reached 0.6 million kg of which 0.4 million kg or 66% was bought by the cooperative from the farmers. Technical and input supply services are mainly provided by this cooperative. As a result, production output has increased by about 20%. YSMC also manufactures and repairs farm tools like spades. Besides, this cooperative provides bus service with 1 public and 1 minibus.

3. The Investment Fund

The "Common Accumulation Fund" which has been derived from the profits during the years 1952-1988 is used for investments in fixed assets and also as part of the working capital for e.g. those buildings.

4. Farmers' Incomes and Business with Members

The per capita income in 1988 was 738 Yuan. The business with members in terms of sales is 299 Yuan per capita. That means, the Study Mission was told that there is still a higher purchasing power than what is presently spent by members and their families through the cooperative society.

5. Future Plans in Figures

The plan for development during the period 1987-1991 is as follows:

- Sales volume in 1987 was 2.2 million Yuan.
- Planned for 1990 : 4.0 million Yuan.
- Produce/sideline products in 1987 : 0.87 million Yuan.
- Produce/sideline products planned for 1990: 1.15 million Yuan
- Profit for 1987 was 52,000 Yuan.
- Projected profit in 1990 is 77,000 Yuan.

6. Future Development Strategies/Targets

- Support members with commodity production. Thus, the volume of purchase and sales can be increased in proportion to increased production and income levels;
- Sales of industrial goods will be increased;
- Repairs, catering, photography, transport will be increased;
- Increased processing facilities in e.g. fruits, mushrooms, etc.

7. Capital Requirements

- i. There is a shortage of own funds for the above investments. The total working capital required is Yuan 0.4 million of which 0.21 is from the bank as loans.
- ii. On a question whether or not members can do savings in the cooperative the Study Mission was told that there has been a plan to organise savings.
- iii. This cooperative can borrow funds from the Agricultural Bank but at the time of the visit of the Study Mission it was explained that they have already utilized their borrowing ceiling with the bank. The leaders think that they cannot borrow more for new projects such as the planned processing units. They were further of the opinion that the bank does not have sufficient funds for capital investments. They also felt that loans for working capital which is based on the total value of the produce was enough. It was explained that when the investments are higher than 1 million Yuan, the application has to go to the Provincial Office of the Agricultural Bank. They said that they do not know any banker who can help them with forwarding such an application to the relevant decision making centre of the Agricultural Bank.
- iv. In cases like the above the Provincial Cooperative Union can provide assistance in the following way. Capital in form of loans received from the Agricultural Bank for onward lending can be given to the primary cooperative. Interest payable to the Bank will then be paid by the Provincial

Cooperative Union and will not be charged by the Union to the concerned primary cooperative society. Two kinds of loans can be received from the Agricultural Bank, i.e. Working Capital Loans and Project Loans. The working capital loan is based on a local budget agreement for a credit line or overdraft facility for purchase of inputs supplies and produce marketing activities.

In the case of project funding e.g. for processing facilities the proposal will be submitted to the Agricultural Bank. A feasibility analysis should also be made and if the project is feasible a loan agreement can be made up between the local cooperative and the local branch of Agricultural Bank. If the loan applied for is above Yuan 500,000 it will be referred to the Provincial Office of the Agricultural Bank for approval.

8. Savings

The cooperative leaders think that the Agricultural Bank does not allow them to have a savings programme within the cooperative society. They think that they need the permission of the Agricultural Bank first. In their opinion it is also not possible for the cooperative to act as an agent of the Agricultural Bank in marketing savings/deposits from the farmer members.

9. Review of Linze Township

The Linze Township representative told the meeting that this was the first time that foreign guests came to their town. Therefore, he warmly welcomed the ICA Study Mission and went on to give narrative information about the Township.

- The total land area is 115,000 Mu of which 23,000 Mu is farm land.
- With a population of 10,563 persons distributed on a total of 2,275 households there is an average of 4-6 persons per family.
- There are 7 administrative villages with no less than 62 agricultural production cooperatives.
- About 17,000 Mu of land area is under cultivation and the yield is averaging roughly 655 kg/Mu.
- Out of a total "Public" grain production of 10.71 million kg, 5.0 million kg was sold to the Government at the following fixed prices: Wheat 0.58 Yuan/kg; and Maize 0.40 Yuan/kg.
- The per capita production of grain is 1,000 kg with a per capita sales of 500 kg. 11.9 million Yuan total income of this township; The net per

capita income in the area is approximately 700 Yuan; and There is an annual fruit production of 1.25 million kg on a total area of 6,467 Mu.

The following main fruits are produced : Peach, Apple, Pears (introduced from Japan), Red Dates, and a small number of other fruits.

10. Agricultural Extension

In the past the average income per Mu was 700 Yuan. The income per capita was about to reach 1,000 Yuan. Through the efforts of the Agricultural Extension the income in experimental area of 40 Mu will soon reach 2,000 Yuan/Per Capita. At the same time Policy Guidance is provided by the government to the cooperatives as they are considered as one of the existing commercial channel. An example of those "Facilitators" role in fixing the purchase targets and prices for agricultural sideline products is e.g. the case of black melon seed, sunflowers and dates. This is because it is difficult for farmers alone to sell.

11. Future Plans of the Township

Future plans of the Township (The 10 Year Plan : 1989-1999) are :

- To increase net income/capita to 1,000 Yuan.
- To facilitate the yield/Mu to reach 1,000 kg (presently it is 655 kg/Mu).
- To support plantation of orchards so that they will reach 10,000 Mu (at present it is 6,000 Mu).

Strategies for achieving those targets are :

- Improve agricultural production.
- Increase investments.
- Use more advanced technology in fertiliser usage.
- Provide training of farmers.

The Study Mission had noticed that there was excess water in the fields along the road. Questions about water born agricultural diseases and risks for that crops were being affected by rot and sour soils were therefore raised. Similarly, the Mission members asked whether or not different ways of drainage was suitable and/ or necessary. It was explained that a Water Conservation Department Programme is being undertaken on a long term basis to alleviate such possible problems for the above expansion and development programmes. It was further explained that large quantities of water from melted snow from the Quilian Mountains flow through the area.

Sometimes there is access water and sometimes there are shortages. It was the opinion of the Mission members that fish ponds can be developed. Two conditions are then to be established i.e. both drainage and water conservation measures in the form of dams and new water distribution channels. Rich in water resources, such land available should not be wasted but made fertile and usable for agriculture. The Mission was further told that the local people have plans for fish production; rice production; and expansion of farming into land that is presently not used.

Meeting : ICA Mission and ACFSMC

1. Role and Activities

- Policy making;
- Planning;
- Non-business; and
- Farm inputs company and agricultural production means company.

60% of agricultural products, such as cotton, tea, jute, bamboo, and fruits are marketed through and processed by the cooperatives having an annual turnover of 10 billion US Dollars. Cotton is 100% marketed through the cooperatives. However, spinning is done by state owned enterprises. Weaving is also in hands of the state.

In view of the above we must increase the prices of farm commodities; promote modernization of our industries. 20% of the production value is paid to the Government for the purpose of land lease which is extended for terms of 15 years at a time. The lease rights are hereditary.

Marketing by cooperatives is done as follows :

- 80% of all jute, 20% of raw tobacco (no processing is done). Raw tobacco is sold to foreign trading companies; and
- 40% of fruits (integrated), 60% of the tea.

2. Farm Inputs

The total annual turnover in 1988 was 10 billion US Dollars. The ACFSMC is supplying to cooperatives and their member farmers fertilizers, pesticides and farm tools of small & medium size.

The cooperatives have a 75% of the market share in rural areas in these items while 25% is sold by government factories through direct supplies.

20% of the fertilizer need is covered by import. All cooperative plants running at 100% capacity utilisation are considering new investments inviting farmers to become shareholders in the new fertilizer production units.

Electricity supplies is still scarce in many more remote places. UNDP/ UNIDO/ WORLD BANK are helping in this field.

Some areas with potentials or limitations for future development are as follows:

<i>Potentials</i>		<i>Limitations/Shortages</i>
- Human Excreta	:	Capital
- Biogas	:	Technology
- Organic Fertilizers	:	Electricity
- Tourism	:	Fertilizers
- Water resources	:	Wood
- Minerals	:	Education
- Hides & skins		
- Meat processing etc.		

3. Processing Industries

Cooperatives have set up processing plants to help increase farmers incomes and serve surplus labour. Examples of produce and products in cooperative processing plants and industries are tea, honey, food, breweries, drinks, shoes, textile, leather ware, machinery, refrigerators automobiles, wall paper, carpets, embroidery, handicrafts, tractors.

Waste resource recycling in Shanghai in collaboration with UNIDO is dealing with paper, steel and iron, gold, silver, platinum, glass and clothes, etc.

Meeting : ICA Mission and Agricultural Department, Gansu Province

Director : Mr. Zhang Wenguang

Main reasons for our progress

- The policy of having agriculture as a base for development.
- We have introduced the production responsibility system welcomed by peasants who have played an active part.
- Our Government pay attention to agriculture and farm production.
- Cooperatives role to serve peasants wholeheartedly. They have supplied many means for agricultural production and household needs. They participate in marketing of commodity production basis.
- The agricultural bank provided sufficient funds to farmers.
- Administration of Agricultural Department provides extension and guidance as per scientific methods. We have an Agricultural University, 9 Vocational Schools and 2 Television Schools. There are many branches at county level of these schools. 2,000 technicians (ex-officers) to help peasants. More than 10,000 peasants have been trained.

Long term plans

- Herxi west of yellow river-irrigated.
- East Gansu dry farming grain production.

Water Resources

- The natural water conservation (natural flow of farmland).
- Reservoirs (collecting water from various surface waters).
- Pumping water system (from underground).

Two Plans

- Areas with rich water resources are being provided with reservoirs.
- Dry land depends on rains and there are very few smaller reservoirs for collection. Tube wells can only be placed in areas with rich underground water resources.

Meeting : ICA Mission and Forest Department, Gansu Province

Forestry

In a meeting with the Forest Department of Gansu Province the Study Mission was briefed on its role and activities in agricultural and environmental development. It was stressed that it is a very important sub-sector in the economy of Gansu Province. One of the biggest problems of the Province is the limited forest resources, thus forestry development is of utmost importance.

Natural forest areas

There are 11 forest areas stretching from the South to Herxi with a total area of 4 million hectare. After 1949 farmers have planted an additional area of 390,000 hectare of forests. Government has also invested in forestation for new plantations on 200,000 hectare. Financing of forest preservation and reforestation is done according to the following formula;

- | | | |
|---|---|-----|
| - Central Government | : | 60% |
| - Provincial Government & County Government | : | 30% |
| - Farmers Investments & Forest Department | : | 10% |

Derived from profits from production of wooden products by their own subsidiaries. The total average annual spending is ranging between 50 to 100 million Yuan.

Activities

In order to alleviate problems of water shortages and reduce dry lands the following activities are undertaken:

- Expand forest areas, Increase quality of wood for the markets (Southern Gansu);
- Protect from wind and sand, Dune formations 1,600 km from west to east in Gobi Desert (Herxi Corridor);

- Preservation of water resources (South of Gansu);
- Commercial Production of wood, main grain production area (Middle Herxi Corridor);
- 3rd forest area, The Central Government give money for certain agreed activities (Along Yellow River in Lanzhou and Ningxian Province); and
- Combination of forests and farmland for preservation of water 500-600 mm rainfall per annum (Eastern Gansu).

Trees

Trees that can be used for environmental protection and also for purpose of production of wood for commercial production purposes are:

- Poplars (from Lanzhou through the Herxi Corridor). Poplars can stand cold and dry weather. It grows high and straight and protect soil from wind and erosion;
- Fruit trees : 30% for peach, pear, economical cash crop trees; and
- Trees used to 13% as fire wood for cooking purposes.

Nurseries

There are a total of 139 nurseries with a combined capacity of 1.2 billion seedlings. The distribution of seedlings to local areas are made against payments.

Service can be given by 260 forest stations at township level with several qualified technicians who will supply such guidance and advice as required. Good achievements have already been noted in this field in the Herxi Corridor.

**Programme of Meetings and Visits for the Study
Mission in China : 3-24 September 1989**

<i>Date</i>	<i>Place</i>	<i>Activities</i>
03.9.89, Sun.		Arrival in Beijing.
04.9.89, Mon.	Beijing	Meeting with ACFSMC.
05.9.89, Tue.	Beijing	Meeting with Agriculture Ministry.
06.9.89, Wed.	Beijing	Discuss programme amongst the Mission members.
07.9.89, Thu.	Lanzhou	Report about agriculture, supply and marketing cooperatives in Gansu Province. TV film "A Probing Road" (1 hour).
08.9.89, Fri.	Lanzhou	Visit to Donggang Storehouse, Fruit and Vegetable Company, Household Necessity Shop and Native Produce Centre. Visit to Yipingxiang tea shop.
09.9.89, Sat.	Yongdeng	Visit to Rainbow Trout Fishery in Yongdeng County Visit to orchard in Gulang County.
10.9.89, Sun.	Wuwei	Visit to Fengle Supply and Marketing Cooperative. Visit to the Department Store run by Zhangye SMC.
11.9.89, Mon.	Jiayuguan	Observation of Jiayuguan Pass.
12.9.89, Tue.	Dunhuang	Tea break at Anxi Country. Leader of Dunhuang City. Interviews with the Mission.
13.9.89, Wed.	Dunhuang	Observation of Mogao Grottoes. Visit to Cotton Company and Silk Road Hotel.

14.9.89, Thu.	Dunhuang	Visit to Erduan Grape Base. Visit to Nanhu Township and Cooperative.
15.9.89, Fri.	Jiayuguan	Travel from Dunhuang to Jiayuguan.
16.9.89, Sat.	Wuwei	Visit Wuwei City Union of Supply and Marketing Cooperatives.
17.9.89, Sun.	Jiuquan	Visit Jiuquan Supply and Marketing Cooperative.
18.9.89, Mon.	Lanzhou	Travel back to Lanzhou.
19.9.89, Tue.	Lanzhou	Discussions with Agriculture Dept. and Forest Department, Gansu Provincial Government. Leaders of the Provincial Government interviews the Mission.
20.9.89, Wed.	Lanzhou	Discussion with GPUSMC.
21.9.89, Thu.	Beijing	Travel from Lanzhou to Beijing.
22.9.89, Fri.	Beijing	Meeting with International Department of ACFSMC.
23.9.89, Sat.	Beijing	Meeting with Mr. Yang Deshou, Secretary General of ACFSMC.
24.9.89, Sun.		Leave Beijing for Delhi.

List of Reception Personnel

01. Mr. Wang Deyou
Director of Gansu Provincial Union of Supply
and Marketing Cooperatives.
02. Mr. Gao Peng Cheng
Deputy Director of Gansu Provincial Union of Supply
and Marketing Cooperatives.
03. Mr. Liu Chengzhi
Director of Economic Research Institute of GPUSMC.
04. Mr. Liu Dinggi
Chief of Production Division of GPUSMC.
05. Mr. Wang Dawei
Deputy Chief of Business Division of GPUSMC.
06. Mr. Bai Xiaoping
Deputy Chief of Education Division of GPUSMC.
07. Mr. Han Chuangzhong
Deputy Chief of Production Division of GPUSMC.
08. Mr. Zhang Wen Guang
Director of Agriculture Department,
Gansu Provincial Government.
09. Mr. Wang Lu
General Manager of Gansu Provincial Cooperative
Transport & Storage Corporation (GPCTSC).
10. Mr. Liu Tian Yong
Deputy General Manager of GPCTSC.
11. Mr. Li Xi-An
Deputy Manager of Store Section of GPCTSC.
12. Mr. Zhang Chang-Ging
Deputy General Manager of Fruits and Vegetables Wholesale
Corporation (FVWC) of GPUSMC.

13. **Mr. Chen Xu-Dong**
Secretary of the Party Committee of FVWC of GPUSMC.
14. **Mr Pei Jun-De**
Deputy General Manager of Gansu Provincial Native
and Special Products Trade Centre (GPNSPTC).
15. **Mr Jia Ping-Fei**
Manager of Comprehensive Trade and Trust Company
of GPUSMC.
16. **Mrs Wang Lan-Lin**
Deputy General Manager of Gansu Provincial
Native Produce Company.
17. **Mrs. Ye Rui-Zhi**
Deputy General Manager of Gansu Provincial
Cotton and Flax Company (GPCFC).
18. **Mr. An Xiao-Ping**
Gansu Provincial Tea Company.
19. **Mr. Wu Nai-Liang**
Manager of Lanshan Hotel.
20. **Mrs Ji Yun-Xia**
General Manager of Lanshan Department Store.
21. **Mr. Yao Zhi-Ying**
General Manager of Industrial Products Trade
Company of GPUSMC.
22. **Mr. Li Wan Rong**
Deputy Director of Yongdeng County
Union of Supply and Marketing Cooperatives.
23. **Mr. Ba Duo-Zhi**
Manager of the Rainbow Trout Fishery.
24. **Mr. Zheng Da-Xiang**
Peasant Technician.
25. **Mr. Lu Kai-Ji**
Director of Gulang County Union
of Supply and Marketing Cooperatives.
26. **Mr. Zhang Deng-Tang**
Chairman of the Council of Gulang County
Union of Supply and Marketing Cooperatives.

27. Mr. Su Lian-Guan
Manager of Gulang Orchard.
28. Mr. Li Neng-Ru
Director of Wuwei Prefecture Office
of Supply and Marketing Cooperatives.
29. Mr. Yan Zhi
Director of Wuwei City Union of
Supply and Marketing Cooperatives.
30. Mr. Li Cai-Xue
Director of Fengle Supply and Marketing Cooperative.
31. Mr. Li Jian-Sheng
Deputy Director of Fengle Supply and Marketing Cooperative.
32. Mr. Yang Zuo-Yi
Deputy Director of Zhangye Prefectural Office
of Supply and Marketing Cooperatives.
33. Mr. Zhang Jin-Yong
Director of Zhangye City Union of
Supply and Marketing Cooperatives.
34. Mr. Li Zhi-Ming
Manager of Hexi Trade Building.
35. Mr. Bai Wuzhang
Director of Linze County Union of
Supply and Marketing Cooperatives.
36. Mr. Chai Feng-Gi
Deputy Director of Linze County Agricultural Department.
37. Mr. Lui Quan Lin
Governor of Yianuan Township People's Government.
38. Mr. Gu Wenxiao
Deputy Director of Yianuan Supply & Marketing Cooperative.
39. Mr. Shang Zengqing
Peasant Member of Yianuan Supply & Marketing Cooperative.
40. Mr Ma De-Zen
Director of Dunhuang City Union of
Supply and Marketing Cooperative.

41. Mr. Li Sen-Pei
Deputy Director of Dunhuang City Union of
Supply and Marketing Cooperative.
42. Mr. Ma Chang Geng
Deputy Mayor of Dunhuang City.
43. Mr. Sun De Fu
Manager of Dunhuang City Cotton Company.
44. Mr. Zhou Zheng Xian
Deputy Manager of Dunhuang City Cotton Company.
45. Mr. Gou Fu Chang
Deputy Manager of Dunhuang City Cotton Company.
46. Mr. Li Sheng Chang
Director of Nanhu Township Cooperative.
47. Mr. He Jin Yun
Peasant.
48. Mr. Lu Hua-Guo
General Manager of Jiouquan Industry and Trade Company.
49. Mr. Zhang Yong Xiang
Deputy General Manager of Jiouquan
Industry and Trade Company.
50. Mr Li Xue Ren
Deputy Manager of Jiouquan Industry and
Trade Company Industrial Branch.
51. Mr. Zhao Long Ji
Headmaster of Gansu Provincial
Cooperative Business School.
52. Mr. Zhao Bang Zheng
Deputy Headmaster of the Provincial Supply
and Marketing Cooperative Cadre School.
53. Mr. Shang Yu Ming
Division Chief of Education Division of Gansu
Provincial Union of Supply and Marketing Cooperative.

The International Cooperative Alliance is one of the oldest non-governmental international organisations. It is a worldwide confederation of cooperative organisations of all types. Founded in London on 18th August 1895, the ICA has affiliates in 77 countries with 195 national and ten international level cooperative organisations as members serving over 648 million individual members at the primary level. The ICA is the only international organisation entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world.

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Main activities of the Regional Office include coordination of cooperative development efforts within the region and promotion of exchanges and experiences; project identification, formulation and evaluation; promotion of establishment and development of national cooperative apex organisations; and organisation of seminars and conferences on specific subjects including support for programmes aiming at the involvement of women and youth in cooperative activities.

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