

Central Committee of the Communist Party of China's Directive on Organizing and Establishing Supply and Marketing Cooperatives in New Areas

May 11, 1951

To all Central Bureaus, Converted Branch Bureaus, Provincial Committees, Large and Medium City Committees, District Party Committees:

We are forwarding to you for reference the telegram from the Central-South Bureau on April 4 regarding the issue of organizing cooperatives in new areas. In this telegram, the Central-South Bureau raised an urgent issue in new areas, namely, due to the impact of land reform in rural areas, landlords and rich peasants no longer dare and are unable to operate the production and marketing of agricultural products. Private businesses at the lower levels are closing down, causing significant disruptions. Even state-owned trade is unable to solve the problem of the entire marketing of agricultural products. Consequently, farmers cannot sell their agricultural products. The primary demand of farmers in trade is to sell their agricultural products, and they pay little attention to the price of selling these products. In this situation, the only conceivable solution is for the Party, government, and the leadership of the Farmers' Association to organize the masses to find ways to market agricultural products themselves and exchange them for the goods the farmers need. This is the method of leading farmers to organize cooperatives to sell agricultural products. Currently, in new areas, apart from making every effort to establish state-owned trade and organizing private businesses to market agricultural products, organizing the masses of farmers into cooperatives to sell agricultural products has become an urgently needed method. This should be widely and immediately tried and implemented, rather than being excessively cautious and restrictive, which would prevent solving the difficulties faced by farmers. Therefore, the method proposed in the telegram from the Central-South Bureau on April 4 is basically correct. However, some expressions in it may not be very appropriate, such as "three parts social and seven parts capital." Please consider this in various places and implement it immediately. If it can be widely promoted, it should be promoted immediately to timely solve the problems faced by farmers. At the same time, in order to prevent the organization of cooperatives in new areas from being too chaotic and to avoid too many failures, the following principles are specifically proposed, and it is hoped that various places will pay attention to them:

- (1) Under the leadership of the Party's District Committee, rural cooperatives are established with the township as the base, and branches are set up in remote villages.
- (2) The main task of cooperatives is to market agricultural products. After marketing agricultural products, they can buy back the goods needed by members and should not use funds and manpower for other operations, neglecting the marketing of agricultural products. Special attention must be paid to opening up sales channels for those unsalable agricultural products. Even if dealing with these agricultural products does not yield much profit, efforts should be made to operate them, rather than focusing only on competing with others in marketing those products that are selling well. To make this purpose clear, the name of the cooperative can even be initially set as Agricultural Products Marketing Cooperative, rather than Supply and Marketing Cooperative.
- (3) Cooperative capital is voluntarily contributed by those who need to market agricultural products and can be paid in agricultural products. Those with more agricultural products to market contribute more, and those with fewer contribute less. Those without agricultural products to sell but only want to purchase consumer goods can contribute even less, and the contribution can be fractional. The minimum limit for each category is democratically decided by the members, but those who are willing to contribute more capital can do so without restrictions.

(4) For the distribution of cooperative surplus, for the time being, it can be divided into only two parts: reserve funds and dividends on shares. Other funds, such as members' welfare funds, cultural and educational fees, etc., can be omitted for the time being and discussed later. In this way, the dividend on shares can be increased to 40% to 50% of the surplus, and the reserve fund can account for 50% to 60%.

(5) For the sale of agricultural products locally, grassroots cooperatives can manage it themselves. However, for distant marketing, it must rely on provincial and county cooperatives or state-owned trade agencies. Therefore, it is necessary to establish provincial and county cooperatives to open up distant sales channels for agricultural products. To achieve this, part of the capital of grassroots cooperatives and reserve funds must be contributed to provincial and county cooperatives as funds for operating agricultural products in distant areas. The amount to be contributed can be democratically decided by the lower-level cooperatives. At the same time, to facilitate the extensive marketing of agricultural products in distant areas, the funds of higher-level and lower-level cooperatives and state-owned agricultural product companies can be mutually allocated and used uniformly.

(6) To overcome the difficulty of lack of funds, agricultural products should be sold through consignment, deferred sales, and fixed sales, and less through immediate sales. This should especially be the case for unsalable agricultural products. The proportion of deferred sales to immediate sales can be freely agreed upon by cooperatives and members.

(7) After grasping agricultural products, cooperatives should sell them based on the following principles: (1) Goods needed by the state and cooperatives and lacking in the market should be sold to the state and cooperatives as a priority. The profit should be reduced to some extent when sold to the state and cooperatives (no profit or too little profit should not be reduced), and prices should not be raised. Priority should not be given to private businesses. (2) Goods that the state and cooperatives do not need or cannot obtain can be marketed to the private sector and sold to private businesses. Wholesale and retail stores can be established for extensive marketing. To facilitate marketing, reduce costs, and lengthen sales channels, processing plants can be opened in a planned manner. Private factories, tools, and technology can be utilized through leasing, joint ventures, subcontracting, etc.

(8) Cooperatives should not engage in credit business. Rural credit business should be led by banks in the future. There has been a separate notice from the central government. Also, to ensure that cooperative business does not deviate from the masses, cooperatives should resolutely oppose engaging in those market transactions that have nothing to do with the marketing of agricultural products and the supply of essential goods to members but are purely for the purpose of making profits.

By implementing the above principles in managing cooperative business and paying attention to the democratic life of cooperative organizations (one vote per member), cooperatives will not go astray, and these methods should not be considered as the capitalist road. This is because the sole purpose of capitalist commercial operations is to pursue profits. However, the purpose of cooperative business operations is to sell agricultural products and exchange them for the essential goods of members. While it also yields profits, pursuing profits is not its primary goal. That is to say, it must operate to sell agricultural products urgently needed by the members, even if there is not much profit or no profit at all. Moreover, it should not waste funds and manpower on transactions that are unrelated to the marketing of agricultural products and the supply of essential goods to members,

purely for the purpose of making profits. This has already deviated from the capitalist road. Because its primary goal is not to pursue dividends fundamentally, even if the proportion of dividends on shares is slightly higher, it does not change the fundamental nature of the cooperative. It is hoped that various places will try these methods based on the above principles and report their opinions and experiences to us.

Central Committee

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