

The Central Committee of the Communist Party of China approved and forwarded the Shanxi Provincial Party Committee's directive on actively organizing rural primary grain markets.

Date: 1954-4-9

To all central bureaus, branches, provincial and municipal Party committees:

1. I forward to you the "Instructions on Actively Organizing Rural Primary Grain Markets" issued by the Shanxi Provincial Party Committee on February 15. This instruction formally declares the end of unified purchases and the implementation of planned supply. It also proposes (1) township-level grain distribution by supply and marketing cooperatives; and (2) the organization of large-scale grain trading fairs, led by the state and free of private merchants, to facilitate exchange and transactions among farmers. This measure is timely and should be emulated by all regions.

Second, the central government is currently allocating a large amount of grain to meet the needs of various regions implementing planned rural supply. Based on overall demand, the supply problem can be solved. However, this batch of grain alone cannot fully meet the various needs of farmers. The state's unified purchase and marketing policy is still in its initial stages. In addition to planned state supply, maintaining some controlled primary grain markets, where grain merchants are not allowed to participate but farmers are allowed to exchange directly within certain quotas, will make it easier to induce households with surplus grain to sell more and solve the problem of purchasing grain and exchanging grain seeds locally for some households short of grain. This will help the state address some of the shortcomings and oversights in the unified purchase and marketing of grain, seize the initiative, and promptly reverse the current stagnation in the rural economy following the unified purchase and marketing policy. This will stabilize and encourage the farmers' enthusiasm for production and prevent the activities of saboteurs.

3. Party committees at all levels must regard the organization of planned supply as a prerequisite for organizing the spring plowing production campaign. They must promptly carry out the assessment of rural households that are short of food, supply them with food and formulate specific measures, and establish state-controlled district and township grain trading markets. It is extremely important not to delay in any way.

The Central Committee of the Communist Party of China, April 9, 1954

The North China Bureau approved the Shanxi Provincial Party Committee's directive on actively organizing rural primary grain markets and the experience of Shangzhuang Township in organizing the masses to exchange grain through cooperatives.

Comments from the North China Bureau:

Activating primary markets, organizing the exchange of surpluses, shortages, and grain varieties in rural areas, and reversing the stagnation of primary markets, the stagnation of secondary industries, and the strained urban-rural relationship that followed the implementation of unified grain procurement, are pressing issues. The Shanxi Provincial Party Committee's report on "Shangzhuang Township in Taigu County's experience in organizing grain exchange among the people through supply and marketing cooperatives" is valuable. The Shanxi Provincial Party Committee's "Instructions on Actively Organizing Rural Primary Grain Markets" are timely and feasible, and are being forwarded to all provinces and cities for reference. Please actively restore the market in conjunction with spring plowing.

The report of the Shanxi Provincial Party Committee is attached.

Instructions of the Shanxi Provincial Party Committee on Actively Organizing Rural Primary Grain Markets

1954.02.00

Since the completion of the unified grain purchase program, grain marketing efforts across the province have achieved some success. However, numerous problems remain in rural areas. A common phenomenon is that farmers still harbor doubts about the national grain policy. They question whether the unified grain purchase program has been terminated. They fear being accused of having surplus grain, and some fear future food shortages. Consequently, when counting households with food shortages, many individuals with surpluses also approach the state for grain. As a result, some counties report significant food shortages, blurring the lines between those with and without food. Many rural noodle and tofu shops are still closed, and pig manure accumulation will be significantly impacted. To address this problem, in addition to actively incorporating spring production and general elections into the general elections, further explaining the unified grain marketing policy to the public, allaying concerns and ensuring that grain is supplied to those truly in need, it is crucial to promptly and officially announce the end of the unified grain purchase program, actively organize primary rural grain markets, and stimulate grain trading under a coordinated and controlled approach. Officially inform farmers that they can adjust their grain supplies in rural areas according to their production and living needs, and can exchange grain directly at government-organized grain exchanges at state-set prices. This will allow households with surplus grain to enjoy a limited degree of free market access for their grain products, rural households with food shortages, and rural flour mills and tofu shops to obtain some or most of their necessary grain from the market under government-organized supply, and ordinary rural households to enjoy a certain degree of mutual exchange. This will not only significantly alleviate the tense atmosphere in rural areas caused by the unified purchase and marketing of grain, and significantly reduce the burden on the state in rural areas regarding grain supply, but also, the maintenance and development of flour mills and tofu shops in rural areas will greatly guarantee increased grain and cotton production, as well as the supply of meat and vegetables to urban and rural areas. This is extremely necessary both from an economic and practical perspective (as evidenced by the fact that Shangzhuang Village in Taigu no longer requires state grain supply after farmers have adjusted their grain supplies through the supply and marketing cooperative). To this end, the following instructions are hereby issued:

First, we must first clarify the nature of this rural primary grain market transaction. It is a special market under the leadership of the state, where farmers and consumers directly exchange grain without the participation of grain merchants. It generally takes two forms: (1) In a township, the supply and marketing cooperatives hold grain trading fairs at certain times to organize small-scale transactions of less than 100 kilograms between farmers and exchange grain seeds. (2) Transactions are conducted through grain exchanges directly managed by the state or entrusted to cooperatives for management (as for grain purchase and sale transactions conducted through supply and marketing cooperatives or farmers signing contracts with cooperatives to temporarily sell grain and then buy grain at a certain time, this is of course allowed). In addition to farmers, rural flour mills, tofu mills, etc. can also exchange finished products for grain from the masses in the countryside and purchase their own necessary raw materials at the grain exchanges. In terms of its nature, this kind of grain transaction is a supplement to the national grain supply system. To avoid disrupting the urban grain supply system, a temporary regulation has been issued: All government agencies, factories, mines, businesses, and private households in urban areas that implement planned grain supply are prohibited from participating in this type of grain trading. (However, after successful trading in rural primary grain markets, this practice may be piloted in general towns and small county

cities.) Farmers and rural mills must also bring a letter of certification and a grain purchase certificate from the local township government when purchasing grain at the state grain exchange to prevent the wealthy rural class and speculators from taking advantage of the situation to hoard grain. Given the existence of the urban and rural bourgeoisie and the deep-rooted social foundation of petty-bourgeois capitalist forces in both urban and rural areas, we must continue to conduct in-depth propaganda and education among farmers on the state's general line for the transition period and the policy of unified purchase and marketing of grain. We must explain to households with surplus grain that it is honorable to increase grain production, sell surplus grain to the state according to state-specified quantities, and support national construction. Similarly, it is honorable to use a portion of one's own surplus grain to adjust availability in state-approved rural primary markets to support those in need. However, it is shameful to speculate on grain, disrupt the market, and exploit one's neighbors for profit. Explain to ordinary farmers and those facing food shortages: The state must guarantee the grain needed by those in need. However, if we already have enough food or have purchased the necessary grain at the rural primary market, there is no need to ask the state for more. This will allow the state to gradually accumulate more grain to ensure an adequate supply for both urban and rural residents, especially in times of disaster or other unexpected difficulties. The idea of asking the state for as much as possible for personal reserves, or feigning poverty to avoid being seen as wealthy, is wrong. Cadres must also be made clear: denying a certain degree of freedom of movement in the rural primary grain market, restricting it too strictly and rigidly, and perpetuating a tense atmosphere in the countryside is detrimental. However, if left unchecked, it could lead to a return to the situation before the unified grain purchase system, fostering the growth of capitalist forces in both urban and rural areas and plunging the grain market into chaos again. Generally, grain transactions organized by supply and marketing cooperatives within the township do not require documentation; however, it is more appropriate for grain buyers at grain exchanges to have a certificate from the township government or a grain purchase certificate.

Second, the principles and pricing regulations for establishing grain exchanges in primary rural markets are as follows: Generally, they should be established within the jurisdiction of a grassroots supply and marketing cooperative, preferably entrusted to a nearby cooperative for management. If a grassroots supply and marketing cooperative covers a larger area and serves as a trading hub for several townships, a larger grain exchange can be organized, directly managed by the government's industrial and commercial administration department and provided with operational guidance by the grain department. The geographic scope of each exchange can be broadly defined by the county. For adjacent markets between two or three counties, the relevant counties and districts may negotiate to allow farmers to purchase grain at the exchange with certain documentation or grain purchase certificates. However, parochialism (such as issuing multiple documents to purchase grain at a neighboring district exchange) must be avoided. To prevent panic buying, hoarding, and oversupply, each household should purchase no more than 150 jin (approximately 150 kilograms) at a time. Flour mills and other businesses may purchase according to the needs certified by the township government. The grain exchange price was set at the state unified purchase price plus 1.5% (equal to the unified purchase price plus bank deposit interest, to avoid affecting future unified purchases) as a mutual adjustment price. (This general regulation for grain is acceptable, but price adjustments should be made for different grades, allowing for slightly higher or lower prices—North China Bureau note). According to national tariff regulations, a 1% handling fee is charged on the total transaction value of grain, and a 2% excise tax is levied on grain purchases of 100 jin or more, all borne by the buyer. This allows grain-surplus households to earn 1.5% more than the state unified purchase price, while buyers purchasing quantities under 100 jin can enjoy a 4.1% discount on the state unified marketing price. Purchases of 100 jin or more, after adding the 2% excise tax, remain 2.1% below the

state unified marketing price. This benefited both surplus and shortage households, as well as the state. The state's unified purchase and marketing prices for grain remained unchanged.

Third, pay close attention to the selection and training of personnel for grain exchanges. In the past, the personnel at grain exchanges across the country were highly diverse, many coming from the old imperial family and merchant backgrounds. They harbored a strong sense of exploitation and displayed a hostile attitude toward the masses. We must establish a new type of market, one where private traders are excluded and where farmers and consumers conduct direct transactions. This is to better implement the state's policy of unified purchase and marketing of grain and better organize grain supplies to meet the needs of the state and the people. Furthermore, with the development of the planned economy, the number of materials purchased and marketed under unified purchase and marketing is likely to increase. In other words, the scope of this new type of market may expand. After the unified purchase period is completed, oilseeds, like grain, will be included in the new market. If we do not rigorously examine the current personnel at grain exchanges and select a critical mass of Party members to participate, not only will our current grain supply efforts be inadequate, but we will also fail to gain experience in leading and establishing new markets.

Fourth, establishing primary rural grain markets is essential to effectively address the issue of rural flour mills, small flour mills, and tofu shops. According to statistics from the six counties of Tunliu, Changzi, Huguan, Changzhi, Gaoping, and Licheng in Changzhi District, there are 1,779 small flour mills. They require 25.6 million jin (approximately 100,000 jin) of corn and sorghum over the eight months of the year, producing 14.6 million jin (approximately 100,000 jin) of flour, which replaces 21.76 million jin (approximately 100,000 jin) of grain, while wasting 3.84 million jin (approximately 100,000 jin) of grain. However, annual pork production is 850,000 jin (approximately 100,000 jin) and pig manure is 3 million dan (approximately 10,000,000 jin), which can be used to cultivate 430,000 mu (approximately 1,000,000 mu) of land, increasing grain production by 10 million jin (approximately 100,000 jin). This represents an increase of 6.16 million jin (approximately 100,000 jin) in grain production, which in turn produces pork. Pork and flour further improve and enhance the lives of the people. If we shut down small noodle mills, not only will we have no pork, but due to the reduced fertilizer supply, last year's grain output will be unsustainable, let alone any increase. We must fully appreciate the enormous role that noodle mills and tofu mills throughout the province play in increasing agricultural production and improving the lives of urban and rural residents. This is a mutually reinforcing relationship between agriculture and animal husbandry, and it aligns with economic principles. Any neglect or reckless approach to this issue would be a grave mistake. Therefore, all regions must promptly and patiently implement effective measures to prevent noodle mills from shutting down (and currently, they should not be expanded in large numbers). Generally speaking, in areas where noodle mills are concentrated, in addition to organizing them to exchange their finished products for grain from the public, the government should formulate specific grain subsidy programs (it is estimated that the development of primary grain markets in rural areas will result in significant grain surpluses, and all regions should actively allocate grain to address this issue). Cooperatives should then sign contracts with these mills, exchanging grain for pork and vermicelli noodles, to be systematically supplied to cities. For scattered noodle mills, their raw materials should be obtained according to the aforementioned primary grain market trading methods. Currently, noodle and tofu shops across the country are finding it difficult to continue production. Some have requested to join agricultural production cooperatives, hoping to gain their collective support. Others have negotiated with the cooperatives to become sideline businesses. This approach not only helps maintain noodle production but also contributes significantly to increasing production and income for the cooperatives. However, guidance and control should be tailored to the specific conditions of the cooperatives.

5. The establishment of new rural primary grain markets is a new undertaking. Prefectural, municipal, and county Party committees must discuss this seriously and instruct the finance committees at the corresponding levels to formulate specific plans and organize all financial and economic departments to coordinate and implement them thoroughly. In cash crop and handicraft areas, government planned supply should remain the primary source of support, supplemented by primary grain market transactions to address food supply issues. In grain-producing areas, emphasis should be placed on developing primary grain market transactions to ensure that the state takes less or no grain for planned supply.

Report on the Experience of Organizing the People in Shangzhuang Township, Taigu County to Adjust Grain Supply

After completing its unified grain purchase mandate, Shangzhuang Township in Taigu County promptly seized the opportunity to meet the production and living needs of the people, diligently organizing their economic life and actively organizing the circulation of social grain reserves to invigorate the rural economy and promote the development of production and mutual aid and cooperation. In January alone, the supply and marketing cooperative received 23,282 jin (approximately 100 catties) of grain, including 3,671 jin (approximately 100 catties) of wheat and 1,905 jin (approximately 11 liang) of oilseeds. The cooperative also supplied food to households in need, supplemented 4,256 jin (approximately 100 catties) of grain seeds to the people, and supplied 3,377 jin (approximately 100 catties) of raw grain to flour mills, tofu shops, and other businesses. The cooperative also organized oil mills to process and press oil for the people, thus addressing their food supply issues.

When the unified grain purchase policy was first implemented, the policy of sharing what was available among the people was not fully and thoroughly implemented, leading to widespread concerns among the people and a period of economic stagnation. Consequently, even those who had grain demanded it, especially since the supply of flour and cooking oil was completely unresolved, causing great dissatisfaction among the people. This manifested itself in the following ways:

Three restaurants in the village had closed due to a shortage of flour, leaving travelers without food and children without sesame seed cakes. Elderly men complained, "I've lived to be seventy or eighty years old, and I've never heard of a shortage of sesame seed cakes in Shangzhuang Village." Meanwhile, the four elderly men who owned restaurants and relied on sesame seed cakes for a living also found it difficult and requested supplies.

2. New mothers also cannot eat white flour. After Han Chunbao's wife gave birth, she ran to three villages but couldn't buy 1 kilogram of white flour. She was so anxious that she ran to the supply and marketing cooperative to ask for flour.

Third, many farmers are unable to get oil, complaining, "The government buys up the oilseeds and doesn't care about the people getting oil. What kind of policy is this?"

Fourth, the masses demanded adjustments to their grain varieties, but some were unwilling to engage in private transactions, fearing a display of wealth and feeling the shame of selling grain after the unified purchase (which didn't allow for much). Farmer Han Laiyi had wheat but no food for his livestock, while Bai Dan had sorghum but couldn't trade it for beans. Not only were the masses confused, but even Party members were unaware of the situation. Xiao Wa, who wanted to sell more grain to buy his wife some flowered cloth, was afraid to do so. Some even went to the director of the supply and marketing cooperative in the dead of night to inquire if they could sell more grain.

After studying the above situation, the working group and the Party branch immediately took the following measures:

First, thoroughly implement the policy among the masses, emphasizing that selling grain to cooperatives and exchanges after unified purchases is honorable, and that mutual exchange among the masses is permitted. The cooperative held a meeting and decided to warmly welcome farmers who sold grain and to constantly publicize the policy to the masses. Once the masses understood the situation, grain circulation quickly resumed, with the cooperative receiving hundreds of kilograms daily, and by the end of January, over a thousand kilograms daily.

Second, diligently organize the masses' economic life and meet their production and living needs. The township invested a total of 114,273,000 yuan in grain purchases, of which 107,981,000 yuan has been recovered. Analyzing the limited cash available to the masses, they organized two small material exhibitions (small material exchange meetings) to absorb some of the grain from the masses. The cooperative sold over 19.5 million yuan worth of goods in just three days during the last three-day event. For example, Shi Xiaowa sold 2,000 jin (approximately 100 catties) of grain during the unified purchase and sold an additional 100 jin (approximately 100 catties) at the exhibition to buy flowered cloth for his wife. Yao Yuanlin deposited 800 jin (approximately 100,000 catties) of wheat and 1 million yuan in cash with the cooperative. Upon learning that he wanted to buy livestock, the cooperative brought back several good animals from the county commune for a "viewing session." He purchased one and advanced 600,000 yuan. That evening, he sold 370 jin (approximately 100,000 catties) of wheat to the cooperative.

Third, the government began organizing workshop production to address the supply of cooking oil and other non-staple foods to the people. The township had one oil mill, two flour mills, one vinegar mill, and several tofu mills. Detailed discussions were conducted with each workshop, and with the exception of the two flour mills, which required 260 jin (approximately 100 catties) of raw materials daily and the vinegar mill, which required 30 jin (approximately 100 kg) of raw materials, the remaining tofu mills were able to meet their needs independently. After this study, the workshops were advised to exchange finished products for grain. Any non-raw grain exchanged was to be sold to the supply and marketing cooperative. If raw grain was insufficient, the cooperative would organize processing. In January, one flour mill alone received 3,300 jin (approximately 100 catties) of grain in exchange. The cooperative then organized two more flour mills to process 1,400 jin (approximately 100 catties). Chang Yuzhu, a tofu maker, received 91 jin (approximately 100 kg) of beans from the supply and marketing cooperative in January. He sold 82 jin (approximately 100 kg) of miscellaneous grain (in exchange for non-raw grain) to the cooperative, effectively providing him with only 9 jin (approximately 100 catties). This eased concerns among the vinegar mills, who realized they no longer had a raw material problem, and reported that they had several months' worth of grain in stock, eliminating the need for government supplies. The restaurant's flour supply problem was also solved (simply providing 20 jin of flour per day was enough). The cooperative also organized an oil mill to process and press oil for the people. Each jin of sesame seeds could be exchanged for an extra 1 liang of oil. Those who needed oil were very satisfied, and the entire village quickly signed up for 30 units (each containing 90 jin). Not only did this solve the township's oil problem, but the supply and marketing cooperative also received a supply of oil and cooking oil. As a result of these efforts, the people's anxiety eased, and many households that had previously requested food supplies now became grain sellers.