

Co-operative Case Studies

The New Zealand China Friendship Society

And

Chinese Co-operative Development

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Co-operating for Co-operatives

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Acronyms and Abbreviations

AI	Artificial insemination
CCA	Canadian Co-operative Association
DLA	Development Ladder Assessment
EMS	Economic Management Station
ICA	International Co-operative Alliance
ICCIC	International Committee for the Promotion of Chinese Industrial Co-operatives (also known as Gung Ho)
NZCFS	New Zealand China Friendship Society
RMB	Renminbi (unit of Chinese currency)
SWOT	Strengths-Weaknesses-Opportunities-Threats

Weights and Measures

1 mu =	667 square metres,
1 Ha =	15 mu
1 US\$ =	6.14 RMB
1 RMB =	0.163 US\$
1 NZ\$ =	4.84 RMB
1 RMB =	0.206 NZ\$

*exchange rate is based on Oct 10th, 2014.

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We would also like to extend our sincere thanks to all the Co-operative leaders and members with whom we have worked over the past years, and whose efforts are described in this publication. We have been honoured to be associated with the Co-operatives, some of them for as many as ten years. The credit for the achievements of their Co-operatives are due to their untiring efforts and dedication of their leaders and members. Their ability to navigate the hazards of the marketplace, to coordinate relationships between members, local governments and markets, and their ability to devise innovative solutions to overcome problems has been an inspiration and a lesson for us. If they have learned from us only a fraction of what we have learned from them then our efforts have been well rewarded.

About the authors

Liu Guozhong is a staff member of the Bailie school in Shandan County, Gansu Province. From 2005 to 2007 he was seconded to work as Project Officer and subsequently Secretary General of Gung Ho International in Beijing where, among other responsibilities, he managed projects supported by the Canadian Co-operative Association. He has a Master's degree in Agricultural Business from Massey University in New Zealand. In 2014 the Bailie school granted him leave without pay for two years to enable him to devote himself full time to training and supporting Co-operatives.

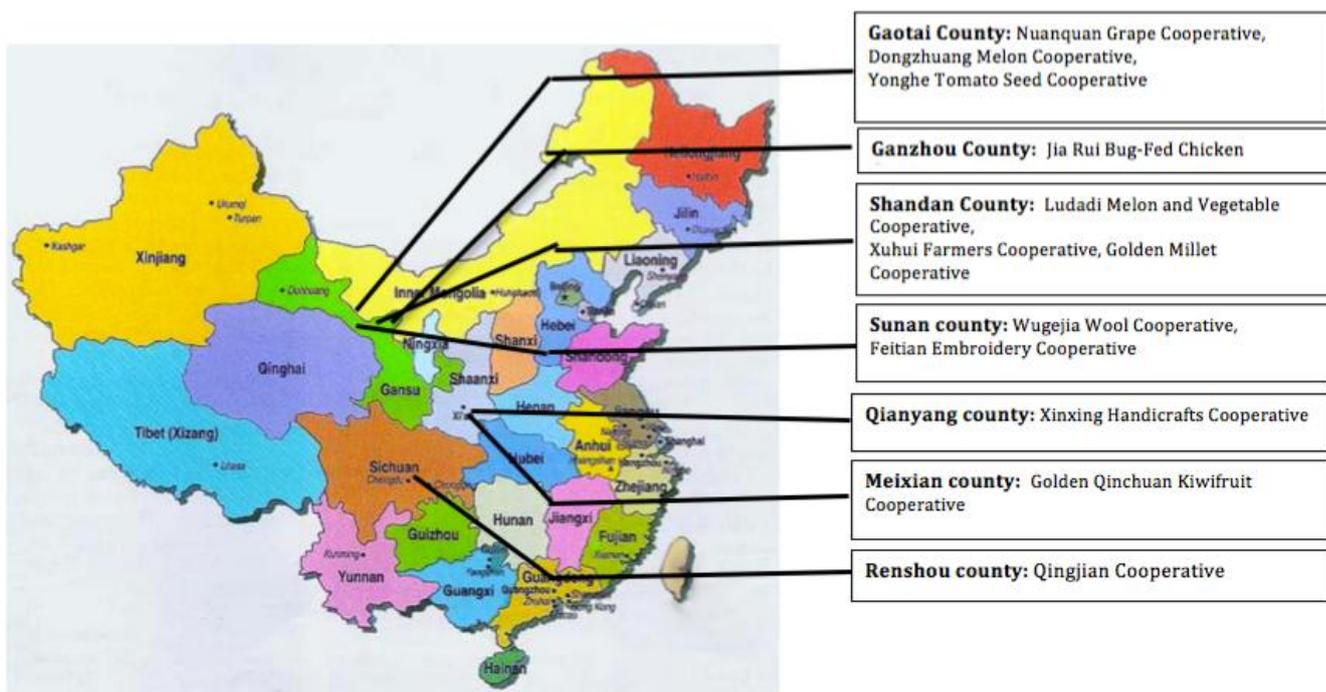
Tim Zachernuk, originally from Canada, has been living and working full time in China since 1995. From 1995 to 2012 he worked on a variety of internationally funded rural development and poverty alleviation projects in all provinces of western China. While working as Project Director of a Dutch funded multi-sectoral poverty alleviation project in Huoshan county of Anhui province between 1999 and 2003 he became involved in supporting farmer economic organizations. Since then his work has increasingly focused on supporting the development of farmer Co-operatives.

The Shandan Centre for the Promotion and Development of Western Co-operatives was registered in 2013 as an NGO in Shandan County. The objective of the organization is to provide training and advisory services to farmer Co-operatives in Western China, helping them professionalize their business operations while maintaining their identity as Co-operatives in the internationally recognized sense of the term.

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**Map of China
(Locations of Co-operatives)**



Introduction

This publication has been written with several different purposes in mind:

Firstly, it has been written to help New Zealanders understand certain aspects of China that get little coverage in mainstream media. The New Zealand China Friendship Society aim is to promote greater understanding between China and New Zealand. As China has risen to become the largest economy in the world in 2014¹(according to the International Monetary Fund), there is much media coverage about China's phenomenal rise and its economic development over the past 35 years. However there is also much that doesn't get covered, particularly stories of rural China and the western parts of the country, which have been slower to develop than the eastern side of the country. These stand in stark contrast to images from urban China which give the impression that China is already a thoroughly modernized country served by mega-shopping malls and bullet train service. We hope that, by telling the stories of farmers in western China and how their lives have changed in recent years, this publication can add some depth to the stories being told about "China the economic powerhouse". We hope that this can contribute to a more nuanced understanding of today's China.

Secondly, for many years NZCFS has been supporting rural development in China in important ways. NZCFS support has included not only financial support using its own resources, but also assisting with applications for project funding from the New Zealand government and the New Zealand Embassy in Beijing. These contributions have made, a big difference. The second aim of this publication therefore is to describe to members and supporters of NZCFS some of the results of these contributions and efforts by NZCFS. By telling the stories of some of the people who have benefited from activities supported by NZCFS we hope to bring home to New Zealanders how their support has helped to change lives of farmers in western China.

Finally, the research and material used for this publication are also being used to prepare a set of case studies which will be used as training material for ongoing training activities for farmer Co-operatives in China. As readers will see from Part 1 of the book, farmer Co-operatives are a relatively new phenomenon in China and most people are unfamiliar with them, what they can do and how they should be managed. On the premise that the best way to learn is from example, we hope that the case studies included in this book will serve to help people in other Co-operatives, and people hoping to form Co-operatives, to learn more about the Co-operative model of business, and to learn from both the achievements and the mistakes of other Co-operatives. In this way we hope to enrich the Co-operative movement in China, help it grow and in turn help the farmers develop.

The Chinese version will contain much of the same material but with a different emphasis and different presentation. It will also include lesson notes, exercises and discussion points for use in training sessions. In keeping with the aim of developing training material, some of the case studies include samples of tools used for management training, including: **strategic development plans; supply chains and SWOT analysis; DLA assessment²** and **financial analysis**. These are the types of tools which we have found to be useful for training Co-operatives and are particularly valuable for helping Co-operative leaders improve their

¹ <http://finance.cankaoxiaoxi.com/2014/1010/522458.shtml>

² **Development Ladder Assessment for Co-operative Enterprise (DLA)** is a participatory capacity building assessment tool for co-operatives. This is explained in more detail in Appendix 4 [which will be published in the last Part].

management and planning skills.

For the benefit of readers who may not be familiar with China, the English version also includes background information on rural China and China's agricultural sector which are omitted from the Chinese version.

Part 1: Background to rural China and Chinese Co-operatives

1.1 China's rural sector (focusing on western China)

For somebody who has not lived through it, it is difficult to imagine the changes that have been experienced in rural China since the 1949. A farmer of 65 years old has seen the country unified under a single government after decades of strife, foreign invasion and civil war. They would have experienced land reform where poor farmers and landless labourers were given access to land. This was followed by collectivization of the rural economy and the creation of People's Communes from the late 1950's to the early 1980's. In the early 80's they experienced decollectivization and the introduction of the family responsibility system where they took the responsibility, and earned the rewards for, their own production. Finally the last 36 years has seen a rapid pace of modernization and commercialization unprecedented in history which has made China the largest economy in the world. Living standards and prospects for the future have been improved beyond anything that might have been foreseen half a century ago.

In the early 1980's the system of People's Communes was broken up and the *Family Responsibility Contract System* introduced. Under the People's Communes agricultural management and production decisions were made by the commune leaders and production brigade managers. Farmers received work points for their labour. At the end of the year after the products were sold the income of the production brigade was added up and divided by the number of workpoints, and commune members received a corresponding income.

After the introduction of the family responsibility system families were allocated a plot of land and share of productive resources of the commune such as animals or orchards. The plots of land were generally small. In densely populated areas there might be one mu or even less per family member, while in less densely populated parts of the country there might be ten mu or more per person. Farmers were given the freedom to decide what to produce and allowed to keep the income earned themselves. They also became responsible to bear any losses that might result. They became responsible for marketing their own output as well as production. However marketing of produce was complicated by the rapid changes happening throughout the economy.

In the 1980's and 1990's, after the responsibility system was introduced, the marketing of most produce was through middlemen or traders, who traveled through the countryside. The traders would buy from individual farmers, aggregate larger volumes of produce, and take them to a county centre or more distant destination. Sometimes products would pass through the hands of several traders in the supply chain before products

reached their final destination. Traders would try to squeeze the prices paid as low as possible while farmers often had recourse to deceptive practices to try to maximize their own incomes. However, most often the market knowledge of the traders and the need of farmers for ready cash resulted in the producers getting the short end of the transaction.

Following China's entry into the global trading system, and particularly its admission to the World Trade Organization in 2001 farmers have also become part of global trading systems. Prices for many agricultural commodities, particularly grains and soybeans are now driven by world markets and exchange rates rather than set by government decree. For example, frozen chicken wings imported from the USA can now be found in supermarkets throughout China, competing with domestically produced poultry. Prices for energy, as well as fertilizer are subject to international market fluctuations. This has increased the risks that farmers face.

Domestically the vast improvements in the infrastructure for transportation and logistics have fundamentally altered markets for agricultural products. Only 20 years ago most products such as meat and fresh vegetables were traded locally or at most within a narrowly confined region. Improvements in road and railway transport have created a nation-wide market such that vegetables and fruit from the southernmost provinces of Yunnan or from Shandong province on China's east coast can be found in the wholesale markets in Gansu or Qinghai. For farmers this represents both an opportunity and a threat. If they adjust successfully to the change, new markets with a national and even international scope are open to them. But if they fail to adapt then they face competition from producers throughout the country and abroad.

Changes of the past few decades have also included changes in consumers and consumption habits. In 1980 some 80% of China's population was rural. Thirty years later the national census of 2010 found that 50% of the population were living in cities. Urban consumers have very different buying habits from rural consumers. People in urban areas tend to do their shopping in supermarkets rather than wetmarkets. The first supermarket in China opened in 1990 but they now exist in all cities and even at county and township levels. Supermarkets purchase food products on a contract basis, in large volumes with strict requirements for quality and food safety. Many supermarkets have requirements for traceability systems which allow a product to be traced to its site of origin and require producers to keep detailed records of their production practices. Small farmers with limited land and selling through middlemen are not able to access these supply chains.

As incomes increase the buying habits of consumers also change. They buy more meat, fruit and vegetables and less grain. They demand higher quality, better packaging, more variety and also products certified for food safety. Consumers are also looking for new products. Asparagus, almost unknown and unavailable in China 20 years ago, is now commonly available in large supermarkets.

Further complicating the plight of farmers is that many enterprises are now engaging in large-scale agricultural production, taking advantage of their access to capital and technical expertise. The agricultural products of many of these enterprises are part of an integrated supply chain where the enterprise controls the production, processing, transportation and marketing of products. Large scale production under professional management gives these enterprises an advantage when selling to supermarket chains. For many products such as pork and poultry these enterprises take advantage of their economies of scale to keep their production costs so low that individual farmers operating on a small scale cannot compete.

The situation varies widely, largely based on geographical area. The process of change has been most profoundly felt in urban areas while the impact in rural areas has been less. Even in rural areas the process of modernization and economic growth has been most rapid in the eastern side of China where transportation

infrastructure is better developed, markets are readily accessible and local governments tend to be financially better off than in western China. As one moves out to the western regions modernization and change has lagged behind the rest of the country.

Despite China's growth over the past 36 years, in western China, poverty remains a serious problem, particularly in the rural areas. While western China accounts for only 28.7 per cent of the population, it is home to 58.2 per cent of the China's poor. In this context farmer Co-operatives have an important role to play in integrating farmers in western China into the rapidly developing and rapidly changing markets. In Part 2 describe how Co-operatives have contributed to improving the incomes and living conditions of farmers in western China.

1.2 The New Zealand connection: Rewi Alley's contribution

In 1927 New Zealander Rewi Alley came to China in search of adventure. His first 10 years were spent in Shanghai where he worked as a safety inspector for the fire department in the international zone of the city. Working there he saw the exploitative working conditions of labourers and the abuse of child labourers. While working in Shanghai he used his vacations to carry out volunteer work for the China International Famine Relief Commission, which took him to Hubei, Inner Mongolia and other parts of the country. His exposure to rural China following his experience in the forced labour conditions of the Shanghai factories gave him a strong empathy for ordinary Chinese people and for the efforts of the Communist movement to address their condition.

In 1938 he resigned from his position in Shanghai and moved to Wuhan in Hubei province, where he devoted himself to improving the lives of ordinary Chinese. Committed to do something to bring about change he did two things which have had a lasting impact right into the 21st century. With the support of some foreign colleagues and senior Chinese officials he was instrumental in establishing the Gung Ho movement to establish rural Co-operatives. In Shuangshipu a village of Fengxian County in Shaanxi province he set up the Bailie school as a training centre of Co-operative leaders and technicians for Gung Ho movement.

The International Committee for the Promotion of Chinese Industrial Co-operatives (ICCIC and also known as Gung Ho) was a movement to support the development of workers Co-operatives in the parts of China not yet controlled by the Japanese. There were two primary reasons for founding Gung Ho. After the Japanese occupied the industrial centres of eastern China there was a shortage of many products in the parts of the country still under Chinese control, including basic daily necessities. By setting up industrial Co-operatives to make things like blankets, textiles and shoes Gung Ho helped to make these products available, as well as providing essential supplies to the People's Liberation Army. Secondly, by creating productive Co-operatives the movement aimed to alleviate the poverty and unemployment crisis gripping many parts of the country, giving people jobs and an income.

In establishing the Bailie school Rewi Alley was also motivated by a concern for the rural poor. He saw that technical education for young people was essential to support the development of rural China. He thought that "the training method for industrial Co-operative leaders for hinterland get hold of the kind of people who could do that work and take them to a place that was sufficiently poor and backward so they could learn about local conditions and understand how to meet the problems. They could receive diversified education so that they could creatively meet any requirements that might come up with in years ahead". The school taught practical skills such as machine repair, welding, textile manufacture, pottery making as any well as agricultural topics. He

also saw the school as a training centre for workers and managers in the burgeoning Co-operative movement.

As the Japanese armies encroached further into China the Communist authorities advised Rewi Alley to relocate the Bailie school further away from the front lines. After reviewing different alternatives Rewi decided to move the school together with all its students more than 1,100 km. to the northwest, to Shandan County in Gansu province. In the winter of 1944 the school, together with all its students made the long journey to Gansu, much of it undertaken on foot, to establish their new school in Shandan. In his new location Rewi continued to develop both the Bailie school and rural Co-operatives through the Gung Ho movement.

In 1949 the Communist army succeeded in reuniting the country and the process of national reconstruction began. In 1951 the Gung Ho organization was brought under the authority of the All China Co-operative Federation (later to become the All China Federation of Supply and Marketing Co-operatives). The Gung Ho organization was disbanded in 1952.

After 1949 the administration of the Bailie School fell under the Northwest Oil Industry Bureau. It was also decided to shelve the training for small village industries and maintain only what was essential for the immediate future of the oil industry. In 1953, some of the school divisions in the main machine shop centre were sent to Lanzhou. In 1954 Shandan was struck by an earthquake which seriously damaged the school buildings, and subsequently the Bailie school was moved from Shandan to Lanzhou where it became a technical college for the oil industry (which still exists today).

In 1987, at the suggestion of Rewi Alley, Gung Ho International was re-instituted. It continued its earlier work supporting rural development and the development of Co-operatives.

Rewi Alley recognized the need for a skilled workforce to help the development of the poor remote areas of western China and made a strong recommendation that the Bailie school be reopened to serve rural youth. He said "Across China's vast rural areas one only has to organize the farmers and give them encouragement and they will be able to develop." In 1985 the Gansu Provincial Government approved the re-establishment of Bailie school in Shandan to provide technical training in agriculture, forestry and animal husbandry for young people from the rural areas. In 1987 the Bailie school reopened in Shandan as a technical secondary school.

Afterwards, responding to the development needs of the local area the school expanded to include such practical fields as agriculture machinery repair, computer technology and so on. In the process of re-establishing and developing the school the NZCFS gave all types of support to the best of its ability including sending teachers to work at the school and also financial support and supplies of equipment.

The Gung Ho Federation office in Shandan was reopened in 1989 at the suggestion of Gung Ho International. The aim was to establish Co-operative enterprises along Gung Ho principles in which local unemployed people could become productively engaged. Afterwards, with changes in personnel and local conditions the office became a department of Shandan county government.

Rewi Alley passed away in Beijing in December 1987 after a more than half a century working to improve the lives of the poor and underprivileged in rural China. His legacy continues to live on in the revitalized Gung Ho International organization, in the Bailie school and in the support that both have been giving to the development of Co-operatives.

1.3 Co-operatives in modern day China

China's leadership puts a high priority on addressing the imbalances in development between western and eastern parts of the country, and the imbalances between urban and rural areas. This has been called the "san nong" problem (or "three *nong*'s, from the Chinese "*nongye, nongcun, nongmin*", or agriculture, villages and farmers). Recognizing the important role played by Co-operatives elsewhere in the world for promoting the development of agriculture and improving rural livelihoods, in 2007 the National People's Congress passed the "*Law on Specialized Farmer Co-operatives*" as an important measure to help solve the san nong problem. It was also recognized that Co-operatives could provide farmers with the means of adapting to the changing demands of the market economy and the rapidly changing market forces in China.

The Co-operative law draws on international experience and attempts to adapt it to the realities of Chinese circumstances. International Co-operative experience has been summed up by the International Co-operative Alliance (ICA), an organization established in 1895 whose membership includes Co-operatives from over one hundred countries. The ICA has distilled international experience into 7 Co-operative principles, which have become a touchstone for Co-operative development (see **Error! Reference source not found.**). The first four of the seven international Co-operative principles are reflected in the Chinese Co-operative law (voluntary membership, democratic member control, member economic participation and autonomy and independence), while the last three principles (education and training, Co-operation among Co-operatives, concern for community) are not reflected in the law. Co-operatives in China can adopt them or not, as they see fit.

With the Co-operative law only having been in place since 2007 it is hardly surprising that many farmers have little idea what a Co-operative is. It is not uncommon for people to confuse Co-operatives with the People's Communes which were in place from the 1950's through to the start of economic reforms in the early 1980's and which generally resulted in the impoverishment of farmers (hence the abolishment of communes as part of the rural reforms).

In recognition of the reality of China's rural situation and the country's social and economic situation, the Co-operative law provides room for some flexibility on international standard practices. Elements of this flexibility are due to the recognition that most farmers lack investment capacity, and there is a substantial need to attract investment into Co-operatives. Most significantly the law has provisions allowing government agencies, investors or businesses to be Co-operative members. The law permits the distribution of up to 40% of the Co-operative profits on the basis of investment rather than transactions. It also provides some flexibility to give a greater share of votes in the general assembly to large investors, although a cap is set on supplementary votes not exceeding 20% of the total number of votes.

A somewhat anomalous feature of the Co-operative law is that it does not explicitly assign responsibility for supporting Co-operative development to any single government agency. When the law was being drafted various government agencies and departments were vying to be given explicit responsibility for Co-operative development, including the Ministry of Agriculture, Ministry of Finance, All-China Federation of Supply and Marketing Co-operatives and the Science and Technology Commission. However when the law was finalized no such mandate was included. Co-operatives are required to register at the Industry and Commerce Bureau, but that agency has no responsibility for providing support, training or advisory services to Co-operatives.

In practice, the Ministry of Agriculture, through its Economic Management Station (EMS) division has taken on much of the responsibility for supporting Co-operative development. However the EMS also has a wide range

of other responsibilities, including supervising land transfer arrangements, collection of economic data and resolving local disputes related to land. Moreover at the county level the EMS has a limited number of staff and it is unusual that even one person is devoted on a full time bases to supporting Co-operative development. The result has been that training and support efforts for Co-operative development frequently fall far short of fulfilling the need.

Since the Co-operative law came into effect there has been a phenomenal growth in the numbers of Co-operatives in China, with a total of 1,038,800 Co-operatives registered at the end of Feb, 2014, representing an increase of more than ten-fold since 2008. This has been matched by a great diversity in the types of Co-operatives and experimentation with the different types of models developed. It is not uncommon to find Co-operatives which have been established by companies in order to secure a supply of raw materials for their processing enterprises. Often employees of the enterprise are identified to act as chairman of the Co-operative. In such cases farmers may receive a fixed price for the rent of their land, while the profits from production and processing activities are retained by the company. It is also common to find Co-operatives set up by a small group of better-off farmers, who run the Co-operative more like an investor-owned business rather than an enterprise run on Co-operative principles.

There are also Co-operatives established by groups of farmers who recognize the need to adapt to the changing markets and agree to work together to improve their situation. They may organize into Co-operatives, often with the support of the staff from the township government and the local county level EMS. While such groups of farmers may recognize a need to work together and the need to organize, they frequently lack experience operating their agricultural production activities as a business and they have minimal experience managing organizations or business enterprises. While they may be aware of the Chinese Co-operative law, they generally have no knowledge of the international Co-operative movement or international Co-operative experience. Moreover concepts such as “democratic control” are vague generalities to them, and they have little idea how or why to put democratic control into practice within an organization.

In these circumstances there is a palpable need for training and support for farmers as they organize Co-operatives to operate in the highly competitive and rapidly changing marketplace. Training is needed not only on Co-operative concepts and Co-operative operations, but also training on basic things such as business and management skills, calculating costs, preparing workplans and budgets and marketing their products.

Training on Co-operative management and Co-operative business models is needed. In the absence of a Co-operative tradition in China the only business model most people are familiar with is either the individually owned business or a share-holding enterprises. While it is true that Co-operatives and investor owned enterprises alike must each run as a profit making business to be sustainable, there are also some fundamental aspects of Co-operative business models which make them unique and distinguish them from investor owned enterprises. To utilize the strengths of the Co-operative model, sometimes referred to as the “Co-operative advantage”, it is important to recognize these distinctions and build strong organizations on Co-operative principles.

1.4 NZCFS support for Chinese Co-operative development

In 2002, the then-president of the NZCFS and honorary headmaster of Bailie School, Prof. Bill Willmott, came with a group of people to celebrate the 60th anniversary of the school’s founding. In a speech on behalf of the NZCFS he encouraged the school to apply the practical educational methods from Rewi Alley’s day, to establish

a Gung Ho training and research centre, and to make the Bailie school into a recognized centre for rural development and poverty alleviation. The school accordingly established *the Bailie School Rural Development Centre* (Training Centre) and provided it with office space. Afterwards the NZCFS used every opportunity to promote the centre and encouraged organizations such as the New Zealand Embassy, Gung Ho International and the Chinese People's Association for Friendship with Foreign Countries to support it. It was hoped that through joint efforts the centre could develop and the Bailie school play a role supporting rural development in Shandan and across western China. As a start the NZCFS gave a grant of US\$2,000 to buy a computer, printer and other basic office equipment for the centre.

In October 2003 Shandan experienced a 5.3 magnitude earthquake which caused extensive damage in the area. In response the Canadian Co-operative Association, through Gung Ho International, supported a project providing assistance to Co-operatives in the Shandan area. The project largely consisted of Co-operative management training to improve the ability of the Co-operatives to embark on a path of sustainable development. The project also improved the capacity of staff in the Shandan Gung Ho Federation and the Bailie School to support Co-operatives. As a result of this training in 2004-05 Gung Ho International invited the Bailie school teacher Liu Guozhong to join a project supported by the World Bank delivering training for Co-operatives in Sichuan province. In 2004, as a result of Sally Russell's (member of NZCFS project committee, President of Hawkes Bay branch) Shandan visit in 2002, through the centre, the NZCFS applied funding from New Zealand government to support Shandan Women Federation implemented a rural women training project to improve local women's legal awareness.

In 2006, David Bromwich of NZCFS met with the Shandan Gung Ho office, the Shandan Women's Federation and the Bailie school to discuss a project supporting the development of local Co-operatives through the Bailie training centre. Subsequently funding for the project was provided by the New Zealand government program, which was implemented by the Shandan Gung Ho Federation as the primary partner.

The "*Shandan Rural Co-operative Development Project*" ran for 12 months starting in August 2006. The project involved selecting people in 8 villages from 4 townships of Shandan where there was either an existing farmers' organization or a group of capable people interested and enthusiastic about setting up a farmers' organization based on Co-operative principles. At the same time 22 people with extensive rural work experience were identified to be trained and work as Co-operative promoters. They came from organizations such as the Women's Federation, the Bailie School, the Agriculture Economic Management Station, Rural Industry Bureau and from township governments. The project then provided trainers as well as training of Co-operatives.

Co-operative promoters were trained in Co-operative concepts and knowledge as well as participatory training methods. Training for Co-operative members included Co-operative awareness, SWOT analysis, problem tree analysis, supply chain analysis etc. Through this training their management and problem solving skills were improved and they came to recognize the advantages to be gained by organizing well-functioning Co-operatives. The training also included practical work strengthening existing organizations or starting new farmer organizations in their communities.

During the project the Gung Ho Federation organized 12 group training sessions at the county and township level as well as 40 sessions of fieldwork. 33% of the participants in the training were women.

After one year of implementation eight demonstration Co-operatives were established. Gung Ho International undertook an evaluation of the training which summarized the achievements as:

- 1) *Farmers trained had a grasp of basic Co-operative knowledge and could put it into practice;*
- 2) *the operations of the Co-operatives was bringing clear economic benefits to the members;*
- 3) *the establishment and development of the Co-operatives had a clear demonstration effect within the communities;*
- 4) *the project strengthened the gender awareness of farmers;*
- 5) *the project had a positive impact for the promotion of Co-operatives within Shandan county;*
- 6) *the project strengthened the capacity of the Shandan Gung Ho Federation.*

Between 2006 and 2009 the Bailie School Training Centre and the Shandan Gung Ho Federation were involved in a project supported by the Canadian Co-operative Association and Gung Ho International. The project “*Co-operatives Reducing Poverty in Rural China*” involved one Co-operative in each of Shandan County, Renshou County in Sichuan Province and Qianyang County in Shaanxi province. The project involved providing management training to Co-operatives and using the Development Ladder Assessment (DLA) tool to assess the performance of Co-operatives and help them develop and implement a strategic development plan.

In 2007 the NZCFS continued to support the Gung Ho Federation through another project, “*Promoting Shandan Co-operatives*”. Based on the foundation created by the first project this project provided one year of support for eight new Co-operatives to be established in eight villages of six townships of Shandan.

In 2007 the training centre also undertook training for co-operative promoters under two Canadian government funded projects, “*Small Farmers Adapting to Global Markets*” and “*China-Canada Sustainable Agriculture Development Project*”. Co-operative promoters and co-operative leaders from the provinces of Hubei, Hunan, Sichuan, Inner Mongolia, Xinjiang and Gansu participated in the training. These sessions had a broad impact while also giving the training centre the opportunity to gain more experience and improve its own skills and resources.

To the end of 2009, with the support of NZCFS projects, 29 Co-operatives of various types had been established in 15 villages of the 6 townships of Shandan. More than 2,300 households were members of these Co-operatives.

In 2008 the NZCFS and the Bailie School co-operated on another project: “*Capacity Building of the Bailie School Training Centre and Promotion of Co-operatives in Zhangye Municipality*”. This project involved four counties of Zhangye Municipality. The aim of the project was to formalize a training program for supporting Co-operatives through the work of the Shandan Bailie School Training Centre. The trainees targeted by the project included ordinary co-operative members, members of village committees, and staff with responsibility for rural development work from agencies at township and county levels.

The project was strongly supported by local government and other organizations, including the Zhangye Economic Management Station, Municipal Women’s Federation, Shandan Economic Management Station, the Gung Ho Federation and the Bailie School. Gaotai, Linze, Ganzhou and Minle were selected as counties to work in. Co-operative promoters mostly came from the county and township Economic Management Stations and the Women’s Federation system as well as some Co-operative leaders.

12 Co-operatives were selected to participate in the training. During the project period the Training Centre invited 20 promoters from the selected project counties and districts to participate in a systematic training program and, working together with them, supported the establishment of 12 demonstration Co-operatives.

Upon project completion a workshop was held where representatives from the Co-operatives shared information and experience among themselves. It was found that through practices such as unified purchasing, unified marketing and unified production they had significantly improved their efficiency. Based on the data provided, the incomes of their members had increased by 20%.

In May 2010, the NZCFS and the Shaanxi Province Women's Federation signed a memorandum of understanding for a two year project to support the development of women's Co-operatives in Baoji and Hanzhong municipalities. Financial support was provided by the NZCFS for the Women's Federation to organize training for Co-operative promoters. The training was to be done by Co-operative specialists from Gung Ho International, with promoters coming from both the Women's Federation and the County Economic Management Stations. At the recommendation of NZCFS Co-operative promoters from the Shandan Bailie School Training Centre were invited to provide training, guidance and support for the project. This project also used the DLA Co-operative assessment tool to assess the needs and provide strategic direction to 8 Co-operatives. At the conclusion of the project in April 2013 the project Co-operatives had fostered the development of more than 20 other women's Co-operatives in the area.

In 2011, the Bailie School training centre and the NZCFS jointly applied and received financial support from *the New Zealand Ministry of Foreign Affairs* for the project of *Capacity Building of Bailie School Staff to Deliver training and Support for Sustainable Agricultural Technology and Co-operative Development*. Training provided to staff through the project included practical hands-on work with ten Co-operatives throughout Zhangye municipality, thereby using the project opportunity to continue assisting the development of Co-operatives.

The experience of the training centre served to identify a number of critical issues. One was that Co-operatives were generally formed by a few entrepreneurial farmers who had a vision for making change in their communities. However once Co-operatives were established the Co-operatives tended to become very reliant on these individuals both for guidance and for practical management. If the individuals decided to leave the Co-operative or took on a less active role, the Co-operatives suffered. Moreover many of these individuals might have only a high school or junior high school level of education, which meant that it was sometimes difficult for them to learn new management skills. To address this problem the training centre designed a training program for young people in Co-operatives, with the aim of training them both in Co-operative knowledge and management skills, enabling them to contribute to the development of their Co-operatives. The NZCFS supported the project, which was implemented by the Bailie school beginning in 2012.

The Bailie School and the NZCFS have a history of more than a decade of collaboration supporting the development of Co-operatives not only in Shandan but in many other parts of China. The Co-operatives which have been fostered as a result of this collaboration have been based in poorer communities and have been made up of farmers working together to try to improve their incomes and livelihoods. The training and support provided through variety of projects described above has always been done with international Co-operative principles in mind. This has included emphasizing the participation of members, and women in particular, in Co-operative management and decision making; improving the business and management skills of Co-operative leaders and managers and; recognizing and promoting the social role of Co-operatives serving not just their members but their broader communities as well.

The second part of this publication describes the development of a selection of the Co-operatives supported through some of the projects described above.