

Co-operative Case Studies

Part 3

**The New Zealand China Friendship Society
And
Chinese Co-operative Development**

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Part 3: Lessons learned from case studies

It should be noted that the Co-operatives described in this study should not be taken as typical or representative of Chinese Co-operatives in general, or even of Co-operatives in the western parts of the country. The Co-operatives described in this publication were introduced to the authors through various internationally supported projects, which in itself makes them atypical. The Co-operatives described were all established by farmers, with ordinary farmers as members, which also differentiates them from many of the Co-operatives in the country which have been established at the initiative of enterprises, often as a means of ensuring a supply of raw materials for their processing activities.

Nevertheless from the case studies a number of useful lessons can be learned which can serve as a guide for future action. These are suggested in the following section.

3.1 Achievements

Co-operatives can play the role of bridging the gap between producers and markets

Co-operatives have been successful at integrating producers into modern supply chains. Traditional supply chains involving a network of traders and middle-men are becoming obsolete in the current market environment in China. Golden Qinchuan Kiwifruit has opened directly sales outlets in urban areas. Ludadi, before its demise, was selling directly to a processing enterprise in the eastern side of the country. The Jiarui Co-operative sells directly to supermarkets while the Wugejia Wool Co-operative links producers to the Nanjing Wool Auction Market and to wool processing enterprises.

Co-operatives have also served to integrate producers in remote parts of the country into international markets. Tomato seeds produced by the Yonghe Co-operative are exported to Europe and America. The onions sold by Ludadi Co-operative were processed into condiments and exported.

On the upstream side of the supply chain Co-operatives support their members by providing lower priced inputs and ensuring the quality of inputs. Anecdotes from Co-operatives show that problems with poor quality seeds, fertilizers, chemicals, and even counterfeit cash, were common when farmers dealt with itinerant traders. Co-operatives buying in large volumes can often purchase directly from factories for better prices and assured quality. The case of the Ludadi Co-operative also shows that when problems with quality are encountered, the Co-operative can help farmers get restitution.

Co-operatives can increase the incomes of members, sometimes very significantly

Members of the Feitian Handicrafts Co-operative make an average of 10,000 RMB per year producing handicrafts working only on a part-time basis, while employees of the Co-operative earn a monthly salary between 1,200 and 2,800 RMB. Members of the Dongzhuang Melon Co-operative are earning 5,500 RMB per mu and cultivate an average of 4.3 mu, making for an annual income from melons alone of close to 24,000 RMB. Members of the Qingjian Co-operative are earning net incomes up to 10,000 RMB/mu and with a plot of 10 mu can make an annual income of 100,000 RMB. These incomes compare favorably to monthly incomes for unskilled workers in urban areas of 2,000 to 3,000 RMB, particularly as the costs of living in urban areas are considerably higher.

Rural-urban migration in China is often driven by necessity rather than choice, particularly for people 30 years of age or more, who are not necessarily attracted by the amenities and lifestyle of the big cities. The combined factors of rural migration and land rental enable farmers who remain in villages to use larger plots of land than what they originally received when land use rights were allocated on a per capita basis. This is making it possible for people remaining in rural areas to earn incomes from farming equivalent to, and sometimes higher than, they could expect from migrating to cities to find work. Under these conditions it is possible for people to remain in rural areas or return to their villages, where they are better able to take care of parents and families. Such was the case for Yang Juncheng, as described in Box 0 on page 60. Indeed some young people, such as Ma Zhixiao from the Golden Millet Co-operative, even give up steady, well-paid jobs in the cities for the challenge of engaging in their own business.

Co-operatives can have a strong poverty alleviation impact

Co-operatives can be particularly effective instruments for reducing poverty. In addition to increasing incomes, Co-operatives can also address and help members overcome some of the key underlying causes of poverty. Most of the Co-operatives described above are located in poor regions of western China, and some such as the Nuanquan Grape Co-operative and the Feitian Embroidery Co-operative are in government designated poverty counties.

The poorer parts of the country are characterized by long distances from markets, and the ability of Co-operatives to link producers into distant value chains is particularly useful. Local government in poorer parts of the country is also characterized by inadequate funding for agriculture extension and training services, which is

an activity which Co-operatives have shown themselves adept at filling. The poor in China tend to have a limited amount of formal education, which in turn constrains their ability to apply new technologies and limits their level of productivity. Co-operatives help address this limitation by providing technical training and support to their members.

In some cases, Co-operatives make special provision for poorer families in their communities, as shown in the Qingjian Co-operative, which made the Co-operative's demonstration orchard available to eight poor families to cultivate, giving them an opportunity to earn good incomes.

Co-operatives can also create opportunities for disadvantaged and handicapped people, as illustrated by the case of Li Yinhui, described in Box 0 on page 18. Li Yinhui, despite being crippled due to a childhood illness, was able to raise three children with the earnings she made through the Co-operative.

Co-operatives can contribute to enhancing women's economic and social position

The contribution of Co-operatives for women's development is particularly apparent. In China this is extremely relevant because of the feminization of agriculture, where the younger men leave the villages in search of employment, leaving women at home both to take care of families and carry out agricultural production. Traditionally there is a gender differentiation of labour in agriculture, and in China the tasks of purchasing inputs and selling products are traditionally done by men. This is often a new and unfamiliar role that women are forced to take on. Women are at a distinct disadvantage when forced by necessity to take on these roles. The case studies given show that Co-operatives can be particularly helpful in this regard.

Four of the Co-operatives described have women leaders. The charter of the Qingjian Co-operative established a Women's Department and stipulates that women must be represented on the board. The Dongzhuang Melon Co-operative is almost entirely made up of women, and the ratio of women to men in the Qinchuan kiwifruit Co-operative is 4:1. In the Xinxing and Feitian handicraft Co-operatives the membership is made up entirely of women, giving women improved opportunities for earning an income. The case studies of the Co-operatives note that women not only benefit from increased earnings, but their social status in their family and communities has improved.

It has most often been the case that technical training for agriculture is attended by men rather than women. The Co-operatives provide much needed technical training and support aimed at their women members, and undertake the responsibilities for purchasing inputs and marketing products. The experience of Sun Jinhua (Box 0 on page 35) is typical.

Co-operatives can fulfill both their economic and social functions

Proponents of the Co-operative model of business frequently cite the dual nature of Co-operatives, fulfilling economic as well as social objectives, as offering an attractive alternative to investor-owned business models which simply pursue economic objectives. The 7th ICA Co-operative principle is that Co-operatives should show concern for community, and contribute to the sustainable development of their communities. Some of the Co-operatives reviewed have put this principle into action. The Renshou Qingjian Co-operative has paid particular attention to supporting the poorer members of the community by turning over the cultivation of the demonstration orchard to them. A spin-off from the Xuhui Co-operative has been the Yanzhi Cultural Co-operative, enriching the social and cultural life of villagers.

Co-operatives can have a positive environmental impact and promote food safety

There are several ways in which Co-operatives have a positive impact on the environment. One of the more important is that Co-operatives frequently adopt a strategy of producing agricultural products with "green food" or organic certification to target the higher end consumer market. All the Co-operatives described above which are producing agricultural foodstuffs have either gained certification or are in the process of gaining it. This reduces the use of fertilizer and agro-chemicals in their production. Co-operatives, by pursuing stable long term marketing relationships, serve to link product quality and food safety to higher economic returns for producers. This in turn results in a positive environmental and food safety impact.

Improving the technical knowledge and skills of producers also has a beneficial environmental impact. The leaders of the Wugejia Wool Co-operative in Sunan recognize the relationship between wool quality and stocking rates on the grasslands, and advise members on sustainable grassland management practices. Co-operative members are encouraged and supported to produce a high quality wool product rather than simply pursuing maximum productivity.

Government support can contribute to the success of Co-operatives

Government support has been important to the launch of many of the Co-operatives, particularly where the government has identified a specific sector for development, such as kiwifruit in the case of the Qinchuan Co-operative, citrus cultivation in the case of the Qinjian Co-operative, fine wool for the Wugejia Co-operative and greenhouse grapes in the case of the Nuanquan Grape Co-operative. In these cases the government has provided technical support, financial resources and, in the case of fine wool, assisted with developing markets. Nevertheless several of the Co-operatives discussed are engaged in sectors not strategically identified by the government, showing that government support is not an essential prerequisite for success.

Government support can also serve to distort markets, sometimes to the detriment of Co-operatives. The Shandan Golden Millet Co-operative finds itself in competition with other millet Co-operatives in Shandan and Zhangye which are receiving direct financial support from local government. Some government agencies often bought the Co-operative's products to give away as gifts' as a means to support and promote the Co-operative's products. This is especially useful for small Co-operatives in its early stage of development, but government agency has also to think of how much they should involve for marketing the Co-operatives products. However in the past two years government spending on gifts and entertainment has been severely curtailed, with a negative impact on the sales of the Co-operatives. This has left the Co-operatives scrambling to find new marketing channels. In the future these Co-operatives will have to rely on their market competitiveness to continue growing.

Quality Improvement

The Co-operative leaders have realized the important link between quality products and access to markets. All the Co-operatives described have put a strong emphasis on ensuring the consistent production of high quality products. This in turn requires providing members with technical training and guidance on production skills. Traditionally getting access to technical training and support has been a problem for many farmers. While agriculture extension systems exists for both animal husbandry and cropping production, the extension stations are frequently understaffed and underfunded, particularly in the poorer parts of the country where the financial resources of local government are limited. Moreover the extension system is often staffed by generalists rather than specialists in the production sectors pursued by the Co-operatives. Co-operative organizations, as shown in the examples, have done particularly well providing members with technical training and support.

3.2 Challenges

While the Co-operatives described have made impressive achievements, they still face many challenges and there is still much room for improvement in their operations. Two areas are particularly apparent: the need to improve business and management skills and; the need to strengthen the Co-operative identity of the organizations.

Need for Management and Business Training

What has become apparent through working with these Co-operatives and many others is their need for training and advisory support. While the Co-operatives have been successful at providing members with training for production, equally if not more important is the need for training to improve the business skills of Co-operative managers and Co-operative leaders.

Managing a Co-operative involves making a transition from independent, small scale operations, where each household is responsible only for its own purchasing, production and marketing, to an organized operation where some activities are done collectively to improving the income of members. Working as a collective enterprise requires a very different set of skills than working as individuals or as a household. For the Co-operatives to succeed and to be able to compete in a market environment, they must cultivate the appropriate skills and knowledge among their leaders, members and managers.

As the preceding case studies show, the initiative to establish Co-operatives often starts with one or a few individuals who have a vision for improving their own incomes as well as the incomes and livelihoods of others in their community. Such Co-operatives, starting out on a small scale, rarely recruit and pay for the services of

experienced management staff. It is generally the case that the initiators are elected to the Board of Directors and the Board takes on responsibility for managing the Co-operative.

The leaders of most of the Co-operatives described have only had a junior high school education, at most a senior high school education. Their management and business skills have been learned through their own hard experience (sometimes at great expense to themselves). Their background has been in small scale, family-based farming and not managing organizations or enterprises. Yet their Co-operatives are competing in a rapidly changing market in which their competition is increasingly made up of private enterprises with professional, well-educated managers. To compete successfully in this environment a high standard of management skills is needed.

Management, specialization and delegation

To take advantage of collective action it is important to delegate, specialize and distribute responsibilities. Every individual has their own strengths and weaknesses, their own experience and skills, and their own interests. Co-operative operations should recognize and make use of the talents and abilities of individuals. If they do not the Co-operative ends up relying on the time and talent of one or a few individuals, and the organization can quickly grow to the point where one person can no longer handle all the responsibilities effectively. In practice this often sets a ceiling on how large a Co-operative can grow.

Xu Wenke of the Qingjian Co-operative recognizes this and also recognizes that his personal strengths and his passion lie in cultivating citrus fruit, not managing an organization. Ma Wenzhi of the Golden Millet Co-operative is focusing his attention on the breeding and cultivation of millet while his son Ma Zhixiao focuses on the processing, packaging and marketing operations.

Marketing

Marketing for a Co-operative is a very different matter than small scale farming and selling produce through middlemen. Marketing for a Co-operative involves much larger volumes product, creating opportunities for getting better prices or reducing marketing risk. Recognizing and seizing these opportunities requires new and different marketing strategies.

Some of the Co-operatives such as the Ludadi Melon Co-operative and the Yonghe Tomato Seed Co-operative have become involved in contract farming. To do contract farming successfully needs some knowledge or specialist advice on contract law, which is unfamiliar territory for small scale farmers.

Marketing for Co-operatives requires cultivating steady, long term relationships on the basis of trust and dependability. The Xinxing Handicrafts and the Qinchuan Kiwifruit Co-operatives have come to recognize this, as shown by the marketing approaches they have adopted. Indeed the Xinxing Handicrafts Co-operative advises members on customer service practices. They recognize the need to assure both quality and timeliness in the delivery of their products. This is very different from the traditional method of marketing through middlemen, where incentives exist for both sides to the transaction to use deceptive practices and maximize short term gains.

Financial Analysis

For Co-operatives to be profitable they must have good management and planning skills, including the ability to do financial analysis of their planned investments, production costs and profit forecasts. The ability to do accurate budgeting and financial analysis requires knowledge and training; it cannot be done by hunches and intuition. It is likely that the high price which the Ludadi Melon Co-operative offered its contract farmers for onions in 2012 was a significant contributor to the failure of the Co-operative.

Managing cash flow

Understanding and managing cash flow is also important for the financial success of Co-operatives, particularly as the agricultural production cycle generally involves a lag of many months between expenditure and income (or years in the case of fruit trees). The Jiarui Egg Co-operative and the Qinchuan Kiwifruit Co-operative both reported that supermarkets, despite contracts stipulating monthly or bi-monthly payment schedules, are often late making payments, creating cash flow problems for Co-operative management. Some Co-operatives have developed innovative financial and management innovations to reduce their cash flow pressures, such as the Dongzhuang Melon Co-operative and the Qinchuan Kiwifruit Co-operative.

Accounting systems

The importance of good solid financial management systems is another lesson demonstrated by these Co-operatives, particularly as the scale of their business activities grows. While any experienced business manager knows the importance of accurate accounting, it is not yet common in China for Co-operatives which have been established by farmers to hire a qualified accountant to manage the organization's finances. The Qinchuan Kiwifruit, Xinxing Handicrafts and Jiarui Egg Co-operatives all had annual sales on the order of millions of RMB before they recognized the importance of qualified financial management and record keeping. Good financial management is critical for Co-operatives to be able to maintain the highest degree of transparency in their operations, thereby gaining the confidence and trust of Co-operative members.

Co-operative identity

In addition to improving business and management skills there is also a need to improve the understanding of both Co-operative leaders and members regarding Co-operative concepts and Co-operative ways of doing business. If a truly Co-operative organization is to be established, as opposed to an enterprise which is a Co-operative in name only, support is necessary to help implement a Co-operative mode of operation. The Chinese Co-operative Law provides a framework for this, but it is only a framework, with much leeway for interpretation.

Co-operative business models

Co-operatives must identify and put into practice business models which ensures the Co-operative can generate sufficient revenue to carry out the functions and provide the services which its members expect to receive. In the case of the Renshou Qingjian Co-operative the Co-operative is providing a high level of service and its members have done very well through the cultivation of Qingjian. However the business model adopted by the Co-operative does not generate income for the organization to ensure it can operate and continue to deliver these services in a sustainable way. The Nuanquan Grape Co-operative collects revenue in the form of a management fee of 300 RMB per year for each greenhouse, but this fee does not fully reflect the cost of providing the services which members expect. Similarly the Sunan Wugejia fine wool Co-operative collects 1 RMB/kg of wool sold as a service fee, but they have set this price in consideration of members' willingness to pay rather than calculating the actual costs incurred by the Co-operative.

However the Dongzhuang Melon Co-operative has adopted a standard Co-operative approach, buying products from members, organizing the marketing and finally deducting the cost of the Co-operative's operation before returning profits to members.

Quality control

Consistently, producing high quality products means that the Co-operative members must recognize and abide by the quality standards determined by the Co-operative. This will not happen if the members regard their Co-operative as just another middle-man through whom they can sell their products. In such a case members will sell to whoever offers a better price, and may adulterate their products to maximize their own benefit. The members must recognize their own responsibility to the Co-operative to produce and sell according to the required standards. This challenge is faced by many Co-operatives and is by no means unique to China. The case of the Dongzhuang Melon Co-operative is illustrative, where members produced melons that didn't meet top grade standards but still expected to get a top grade price for their product.

Succession Planning

An important difference between a Co-operative and an investor owned company is that the Co-operative belongs to its members, who are also the users of the service it provides. In a privately-owned company, if an investor decides to retire or get out of a particular business they can sell it, close it down or perhaps pass it on to their sons or daughters. A Co-operative on the other hand, belongs to the members of a community and the members have an interest in ensuring that the Co-operative is sustainable and will continue to provide them with services beyond the tenure of the original initiator. The Co-operative therefore has an interest in training a new generation of leaders and managers to take over responsibility when the current leadership decide to move on or retire. It is important to have a succession plan and cultivate younger talent within the Co-operative to ensure the sustainability of the organization. Few Co-operatives do this in a deliberate,

planned way. However both Xu Wenke of the Qingjian Co-operative and Yang Linzhuan of the Xinxing Handicrafts Co-operative expressed their appreciation of the need to actively involve younger people in Co-operative management, and they have taken some steps in this direction. The cultivation of younger managerial talent within Co-operatives was the rationale behind the design of the training programme for young people in Co-operatives which was supported by the NZCFS mentioned above on page 12.

In October 2014, as a final exercise leading to the completion of this publication, a workshop was held with several of the Co-operative leaders whose case studies have been described in Part 2 above. We reviewed some of our conclusions and asked for clarification, correction or further elaboration on any of the points. The workshop confirmed much of what is described in the final section of the review. Another very important point highlighted by workshop participants was that many of the difficulties arising from managing Co-operative enterprises come from a failure at the very outset to ensure a common understanding and consensus among Co-operative members regarding the role of their Co-operative, its aims and objectives. A summary of points made by the Co-operative leaders at the workshop is given in **Appendix 1: Advice to New Co-operatives**.

Postscript

It is commonly remarked that the development of Co-operatives is still in its early stages in China, recognizing that this is still a period of experimentation and adaptation while an appropriate role for Co-operatives is worked out through experience. Likewise, ways of providing support for Co-operative development in China is a work in progress, with much experimentation and adaptation going on. Unquestionably there is an enormous need for training and support to enable Co-operatives to improve their performance and become viable enterprises which can compete in the rapidly changing market environment in China while at the same time serving the interests of their members and their communities.

In January 2013, the **Shandan Center for the Promotion and Development of Western Co-operatives** was established as an NGO and registered with the Civil Affairs Bureau of Shandan County. The aim of the Center is to support the development of farmer Co-operatives by providing Co-operatives with training and advisory services. In doing this the Center aims to adapt international Co-operative experience to the realities of the Chinese environment.

With China set to become the second largest economy in the world within a few years we believe it is important that successful examples of Co-operative organizations and Co-operative business models be established to provide an alternative to the models of investor-owned enterprises. Doing this will require a careful process of adoption and adaptation of international experience.

In October 2013, Mr. He Wanying, owner and CEO of the Shaanxi Binxian Coal Company contributed 300,000 RMB to support the ongoing work of the Shandan Center and ICCIC, enabling them to continue supporting Co-operative development in the Baoji municipality of Shaanxi province.

As noted in the introduction, a Chinese version of this publication is being prepared simultaneously with the English version, which will be used as training material and case studies for ongoing training efforts. The work to support the development of Chinese Co-operatives is an ongoing project.

Appendix 1: Advice to New Co-operatives

In October 2014, as a final activity prior to completing this publication, a seminar was held in Zhangye with representatives from several of the Co-operatives described in the case studies (Jia Rui Egg Co-operative, Nuanquan Grape Co-operative, Dongzhuang Melon Co-operative, Yonghe Tomato Co-operative and the Shandan Golden Millet Co-operative) as well as representatives from the Gaotai County Economic Management Station. The Co-operative representatives were asked what advice they would give to new, start-up Co-operatives based on their experience (both their successful experiences and the mistakes they made). The following is a summary of the discussion (in no particular order or priority):

a) Start small (both the number of members and “registered capital”) and don’t rush to grow rapidly.

A large Co-operative is not necessarily a good or a successful Co-operative. It is better to start with fewer members who share the same vision and have common ideas, make a solid foundation, and grow from there. Do not try to attract the largest number of people at the beginning and then face the challenge of trying to create a common vision. If other people see that the organization is successful they will want to join and eventually it will grow.

b) Consider the constitution and by-laws seriously right from the formation stage

The constitution and by-laws play an important role in building the solidarity and common vision of the Co-operative, and ensuring that all members agree with and share a common purpose. Do not treat the constitution as a mere formality necessary to meet the requirements for registration. It should be fully discussed and agreed upon by all the founding members.

The constitution also should clarify roles, responsibilities, operation and structure of the Co-operatives. It is also important to adhere to the constitution in the operations of the Co-operative to support transparency of operations, which in turn is important to cultivating the solidarity of members.

c) Put sound financial management procedures in place right from the start and ensure accurate, qualified accounting services

Proper financial management is essential if you are to know whether the Co-operative is making or losing money. Without accurate financial records you do not know how well you are performing. Good financial records are also essential when applying for a loan, government subsidy or tax exemption. Co-operative leaders are usually not qualified book keepers, and if the Co-operative leaders also do the financial record keeping it can take up a lot of time and create much inefficiency. (For example, Co-operative leaders should not have to spend time looking for receipts.)

d) Find members who are committed to the Co-operative, join voluntarily, and have common interests

If the founding members of a Co-operative do not have a common goal and common interests, and if they do not show a commitment to developing the Co-operative, then there will be no clear goal for the Co-operative and it will not have a clear direction.

e) Delegate and empower members of Board and members of the Co-operative to make best use of individual skills, talents and interests and also to ensure efficient operation of the organization.

One of the strengths of a Co-operative is that it uses the wide variety of talents, skills and experiences of many people working towards a common goal. If one or only a few of the Co-operative leaders try to do all the work then the growth of the Co-operative will be limited by the time and energy of those few members. Tasks and responsibilities should be allocated in a way that makes the best use of the talent available.

f) Good leadership involve cultivating talent and skills within the Co-operative, not simply criticizing or punishing mistakes but using mistakes to learn and improve.

A good leader will train and develop the talents and skills of others so that they can grow into their jobs and, over time, strengthen the management and operation of the Co-operative. Only in this way can the Co-operative grow in a sustainable way. Do not criticize or punish people when they make mistakes, help them to

learn from their mistakes.

g) Seek out good quality training,

Training should be very practical and relevant, using case studies and participatory training approaches, field trips and study tours, mutual sharing of experience and knowledge. The best training is directly relevant to the needs of the Co-operative and directly applicable. It should not be too high level or theoretical.

h) Training is needed both for Co-operative leaders and Co-operative members

Training should include Co-operative awareness and the understanding of what it means to be part of a Co-operative (ie. Privileges and responsibilities)

i) Make a clear vision for the future of the Co-operative,

Ensure this vision is communicated to and shared by the members. Don't deviate from your vision just to meet government targets or get government funding.

j) Regularly review Co-operative structures, operations, procedures

Learn from experience and adapt to changing circumstances. Identify opportunities to improve the organization and make the structures, operations and procedures more efficient: make sure they are leading towards the overall vision and objective.

k) Learn from mistakes as well as achievements and put into place a process of continual improvement.

Appendix 2: Summary of NZCFS support

Year	Project	Implementing Agency	Achievements
2003	Purchase equipment for project office, including computer, printer, scanner	Bailie School	Create basic conditions for operation of project office.
2003	Survey of Bailie School graduates	Bailie School	Conduct survey of employment status and training needs of Beilie graduates, provide reference point for development of center
2004	Shandan Co-operative Training Project (Cdn\$35,000)	Gung Ho International	Prepare post-earthquake development plan for 11 Co-operatives, Gung Ho Federation provided service to strengthen capacity of Co-operatives
2004	Shandan rural women legal training project (RMB,66,362.00)	Shandan Women Federation	Funding was provided by VASS, 540 rural women from Shandan county were trained in legal knowledge.
2006-2007	Shandan Rural Co-operative Development. This project received funding from NZ VASS of 102,160 RMB, mostly used for providing training and advisory services to Co-operatives.	Gung Ho International	Training on Co-operative understanding in four townships, training for local Co-operative promoters on participatory training approaches, established 8 Co-operatives.
2007-2008	Shandan Rural Co-operative Promotion	Shandan Gung Ho Federation	Established 8 Co-operatives in 8 villages of the 6 townships of Shandan, creating a demonstration effect for other Co-operatives.
2008-2009	Capacity Building for Bailie School Training Center and Co-operative Development in 4 Counties of Zhangye Municipality	Bailie School	Provide guidance for the establishment of 13 Co-operatives in Zhangye Municipality
2009-2012	Shaanxi Women's Federation Capacity Building for Co-operative Development	Shaanxi Womens' Federation	Provide guidance for 8 demonstration Co-operatives which in turn supported the development more than 20 Co-operatives
2013	Training Co-operative Youth	Bailie School	Training for more than 20 young people from local Co-operatives and provide guidance for the Co-operatives from which they originated.

** VASS = [New Zealand Federation of Vocational and Support Services - now "Inclusive NZ"](#). A charitable organisation, independent of the New Zealand government

Appendix 3: Summary of Co-operatives supported.

	<i>Name</i>	<i>Date Registered</i>	<i>Members at Registration (hh)</i>	<i>Members in 2013 (hh)</i>	<i>Main Activities</i>	<i>Year of Project Participation</i>
1	Dongle Township Shanyang Baotan Village Ronghua Cultivation Co-operative	9/2007	15	388	Cultivation, seed corn, herbal medicines, marketing	2007.
2	Dongle Township Shanyang Baotan Village Fengnong Cultivation Co-operative	5/2008	15	98	Vegetables, seed wheat, processing, marketing	2007
3	Dongle Township Wudui Village Xingwang Piglet Fattening Co-operative	4/2008	6	12	Fattening piglets, pig and poultry raising, eggs	2007
4	Minle Township Xiazhai Village Shengyuan Animal Husbandry Co-operative	6/2008	10	150	Providing improved breeds, vaccination services, supplies and marketing	2007
5	Chenhu Township Antou Village Hongda Barley Production and Marketing Co-operative	8/2008	52	234	Purchasing, storage, marketing barley	2007.
6	Chenhu Township Liufu Village Xingsheng Agriculture Products Co-operative	9/2008	68	306	Marketing, storage and processing of desert melons, wheat and other products	2007
7	Chenhu Township Antou Village Agriculture Production and Marketing Co-operative	11/2008	29	130	Vegetable and wheat seeds, processing, marketing	2007
8	Weiqi Township Dazhaizi Village Shengyuan Agriculture Purchasing and Marketing Co-operative	8/2008	7	28	High quality malting barley, pollution free vegetables and melons; packaging, transport, marketing and processing	2007
9	Weiqi Township Shilipu Village Jinshengniu Agriculture Machinery Co-operative	7/2008	16	16	Mechanized agriculture, harvesting, storage and marketing	2007
10	Huocheng Township Jieli Agriculture Machinery Services Co-operative	8/2008	11	55	Providing services for agriculture production and mechanization	2007
11	Liqiao Township Donggou Village Yongsheng Mushroom Cultivation Co-operative	11/2008	30	30	Growing mushrooms in sheds, marketing	
12	Shandan Jinyu Potato Co-operative	10/2002	1420	4231	Production, processing and marketing potatoes	

Cooperating for Cooperatives

	<i>Name</i>	<i>Date Registered</i>	<i>Members at Registration (hh)</i>	<i>Members in 2013 (hh)</i>	<i>Main Activities</i>	<i>Year of Project Participation</i>
13	Shandan Ludadi Melon and Vegetable Co-operative	2008	7	480	Production and marketing	
14	Shilipu Jinfengdan Malting Barley Co-operative	2007	12	260	Production, harvesting and marketing	
15	Shandan XuhuiFarmers Co-operative	2007	9	62	Production, harvesting and marketing services for coloured potatoes	
16	Shandan Mengyuan Cultural Co-operative	11/2007	6	38	Culture and entertainment	2007
17	Lubao Village Flax Co-operative	2000			Planting, processing and marketing flax	2008
18	Xinzhuangcun Potato Co-operative	2007	132	356	Production, harvesting and marketing potatoes	
19	Shandan Tongxin Animal Husbandry Co-operative	12/2007	33	149	Raising, processing and marketing animals, introducing new varieties and propagation	2006
20	Shandan Jinshidi Cultivation Co-operative	12/2007	71	319	Storage and marketing of melons and vegetables, malting barley, flower seeds.	2006
21	Weiqi Dongwan Village Melon and Vegetable Co-operative				Cultivation and marketing	2006
22	Shandan Shilipu Animal Husbandry Co-operative	2008	9	17	Animal husbandry, marketing, fattening	2006
23	Shandan Weiqi Township Shilipu Melon and Vegetable Co-operative	2008	24	57	Cultivation, marketing	2006
24	Shenhu Shanwan Fruit Processing Co-operative	2009	5	5	Planting, processing, marketing	2006
25	Shandan Xinwang Animal Husbandry Co-operative	3/2009	6	12	Fattening sheep and cattle, marketing	2008
26	Chenhu Township Ximen Village Xinyue Agriculture and Animal Husbandry Co-operative	9/2009	5	5	Agriculture and animal husbandry	2007
27	Damaying Shuanquan Animal Husbandry Co-operative	9/2009	6	6	Animal raising, fattening, processing and marketing	2007
28	Shandan Luyuan Flour Processing Co-operative	2009	5	5	Purchasing, processing and marketing	2008
29	Shandan Deyi Potato Co-operative	3/2007	15	120	Cultivating potatoes, marketing	2006

NZCFS Capacity Building for Shandan Beilie School Training Center and Co-operative Development in Four Counties of Zhangye Municipality (2009-2010)

	Co-operative Name	Project Date	Members at Start	Current Membership	Location + Main activities
1	Ganzhou District Jieling Poultry Co-operative	2007	64	186	<i>Daman Township, Zijiazhai Village</i> Raising laying hens, marketing eggs, purchasing chicks
2	Ganzhou District Ruifeng Cattle Co-operative	2008	80		<i>Daman Township, Yangou Village</i> Raising cattle, sheep and poultry; marketing
3	Ganzhou District Huazhai Potato Co-operative	2007	67		<i>Huazhai Township</i>
4	Ganzhou District Xiaoshan Agriculture Co-operative	2008	58	More than 300 associated farmers.	<i>Huazhai Township Yujiacheng Village</i> Cultivating cereals and grains
5	Ganzhou District Hongtai Melon and Vegetable Co-operative	2007	55	160	<i>Liangjiadun Township Wuhao Village</i> Vegetable cultivation, input purchasing, marketing and technical services
6	Ganzhou District Jia Rui Worm-Fed Chicken Co-operative	2007	30		<i>Liangjiadun Township, Sizha Village</i>
7	Linze County Honggou Grape Co-operative	2007	60	120	<i>Banqiao Township, Honggou Village</i>
8	Linze County Tuqiao Corn Seed Co-operative	2005	38		
9	Gaotai County Xinba Township Xingyuan Animal Raising Association	2004	150		<i>Xinba Township</i>
10	Gaotai County Xinba Township Longquan Red Grape Co-operative	2009	87		<i>Xinba Township</i>
11	Gaotai County Mountain District Fine Wool Co-operative	2009		1877	Serves 1877 households of which 87 are large producers
12	Minle County Qiangjing Agriculture Product Sales and Marketing Co-operative	2007	8	8	<i>Xintian Township, Yanhu Village</i>
13	Minle County Xintian Herbal Medicine Shipping Association	2002	354		<i>Xintian Township</i>

Shaanxi Women's Federation Capacity Building for Co-operative Development

Co-operative	Date Established	Members at Establishment	Members at Project End	Co-operatives Spawned from Project Demonstration Co-operative
Fengxian Musk Deer Association	2010	23	320	<ul style="list-style-type: none"> • Pingmu Township Sihe Village, Fengling Vegetable Co-operative • Shuangpu Township Hejiaping Village Ecological Melon and Fruit Association, • Liufengguan Township Sanguanzhan Village Agriculture Association
Meixian Golden Qinchuan Kiwifruit Co-operative	2008	9	527	<ul style="list-style-type: none"> • Meixian Banzha Kiwifruit Co-operative • Meixian Yimin Fruit Co-operative
Qianyang County Xinxing Handicrafts Co-operative	2007	65	250	<ul style="list-style-type: none"> • Taohuayuan Embroidery Co-operative • Cuijiatou Township Zhaojiayuan Village Branch of Xinxing Co-operative
Qishan Fengsheng Melon & Vegetable Co-operative	2010	5	65	<ul style="list-style-type: none"> • Taizi Village Melon and Vegetable Co-operative • Nanguo Vegetable Co-operative
Nanzheng Gaokang Hemp Weaving Co-operative	2009	53	135	<ul style="list-style-type: none"> • Bashan Gifted Woman Handicraft Co-operative • Hengfeng Animal Husbandry Co-operative
Nanzheng GreenHerbal Medicine Co-operative	2009	6	105	<ul style="list-style-type: none"> • Lucai Tree and Flower Nursery Co-operative • Hongjie Economic Tree Nursery Co-operative • Tobacco Association and Nursery Association
Yang County Luhai Tree Nursery Co-operative	2010	26	166	<ul style="list-style-type: none"> • Yang County Jinguo Vegetable Co-operative • Yang County Yuefang Hare Co-operative
Lueyang Shunli Swine Co-operative	2010	7	61	<ul style="list-style-type: none"> • Established a swine raising company

Appendix 4: Institutional Structure of Chinese Government

To the uninitiated it is difficult to comprehend both the size of the country and the complexity of its administration. The following table is prepared to help readers understand the administrative structure of the country. The numbers should be taken as indicative only, and are for the purpose of illustration. At the levels of municipality/prefecture to administrative village there is an on-going process of mergers and divisions, making it difficult to come by definitive numbers.

Administrative Level	Number of Administrative Units	Approximate Population Range	Notes
National	1	1,350,000,000	
Province/Autonomous Regions/Directly Administered Municipality	33	104,000,000 (Guangdong) 3,000,000 (Tibet)	
Municipality/Prefecture	333	13,000,000 (Guangzhou) 2,000,000	
County	2,900	40,000 to 2,000,000	Co-operatives are registered at county-level Industry & Commerce Bureau
Township	42,000	30,000 to 100,000	Government staff with frequent direct contact with farmers. The lowest level of government hierarchy.
Village/ Administrative Village	692,000	1,500 to 3,000	Village heads elected by residents
Hamlet/Natural Village	6,000,000	100 to 300	

There is a vertical structure for policy implementation with each administrative level responsible to the level immediately above it in the hierarchy. Thus under the Ministry of Agriculture in Beijing there are Departments of Agriculture at the provincial level, and Agriculture Bureaus at the municipal and county level. Within the Ministry of Agriculture there is an Economic Management Station, which also has a hierarchy extending through the provincial level down to the county.

At the same time bureaus and agencies at the county level get their financial resources from the county level of government. Within a county personnel allocations and staff assignments are determined by the county level Personnel Bureau.

At the township level the responsibilities of many bureaus are handled by a limited number of government employees.

Appendix 5: DLA Assessment Tool

The following brief description is extracted from the DLA document ©

The DLA document was developed by and is the property of the Canadian Co-operative Association (CCA).

The Development Ladder Assessment for Co-operative Enterprise (DLA) is a participatory capacity-building assessment tool for co-operatives. It has four components:

- (i) Vision
- (ii) Governance and Member Engagement
- (iii) Management Capacity and Business Development and
- (iv) Financial Management

These components are based on standards and definitions of co-operative enterprise as outlined in the International Co-operative Identity Statement and represent the main features of a healthy co-operative enterprise as a means of both social and economic development.

The DLA is a very versatile tool that can be used in a variety of ways:

1) The DLA as a needs assessment tool: The DLA has been designed for use by developing co-ops and CCA partners as a comprehensive needs assessment through which to identify strengths and weaknesses of the co-operative and to identify areas of action for the on-going development of the co-op enterprise, based on self-reflection and collective learning.

The DLA provides a standard of co-operative development against which a co-operative enterprise can measure itself as it seeks to build and strengthen its capacity and performance.

2) The DLA as a planning and management tool: The DLA can also serve as a planning and management tool for supporting capacity building of partners and their co-ops. It can be used by project managers to become aware of the strengths and weaknesses of partner co-operatives as a basis for planning action for supporting partners' development as co-operatives. As a planning tool, the DLA can be used to assess the institutional capacity of partners and to incorporate institutional capacity building into project design. As a management tool, the DLA can be used to monitor a partner's capacity building process.

3) The DLA as a monitoring and measurement tool: The DLA can be used as a monitoring and measurement tool within projects, or with co-operatives over time. The DLA can be done as a baseline assessment and a score can be assigned to represent the current status of the co-operative. The co-operative can then be assessed again at a later date, and the new score would indicate the level of the co-op's improvement.

It is VERY important to write comments, as they are the most important part of really understanding the details of the co-operative. If the DLA is being used as a measurement and monitoring tool, the comments of previous reports will shed light on the specific details of the co-op, and can indicate where real change has happened.

EVOLUTION OF THE TOOL

The Development Ladder Assessment for Co-operative Enterprises (DLA) is a tool that has undergone several major revisions since its inception over fifteen years ago. The DLA tool originally came to the Canadian Co-operative Association (CCA) as an adaptation of a tool developed by the International Co-operative Alliance to measure the results of its development interventions. Since then, various revisions and modifications have been made to the tool.

The 2005-2006 version of the DLA was used in China, where a training institute had been working with local co-operatives to apply the DLA and to develop coaching plans for capacity building training based on the results of the DLA.

The 2005-2006 version of the DLA applied in China was initially developed as a partner institutional assessment tool for CCA, to provide CCA (as a funder) with a comprehensive tool for determining the capacity building needs of partners, as well as a partner self-assessment tool.

Appendix 6: Co-operative Identity, Values and Principles¹

Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles

The co-operative principles are guidelines by which co-operatives put their values into practice.

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

¹The co-operative identity, values and principles have been prepared by the International Cooperative Alliance and can be found at <http://ica.coop>