

## A Vast Rural Market

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*This is the last of four reports on some basic facts about commerce in Hunan Province, central-south China. — Ed.*

CHINA is a big agricultural country with over 80 per cent of its population living in the countryside. As Chairman Mao has pointed out, "It is the peasants who constitute the main market for China's industry. Only they can supply foodstuffs and raw materials in great abundance and absorb manufactured goods in great quantities." (*On Coalition Government.*) This is why our country pays great attention to commercial work in the rural areas.

Purchasing and selling in rural state commerce are handled mainly by the grass-roots supply and marketing co-operatives in the people's communes. These co-ops play an important part in facilitating the interflow of goods and materials between town and country and between industry and agriculture.

While in Hunan, we went to several co-ops of this kind and also a few production brigades in the Hucheng, Wenwei and Yukang Communes, all in Hanshou, a county with attractive scenery and rich natural resources in the Tungting Lake district.

### Rural Commercial Network

In addition to state shops at the county seat, there is one supply and marketing co-op in each of the 26 people's communes in Hanshou serving a rural population of close to 600,000. Each and every co-op has its own retail shops selling sundry articles for daily use, the means of production, meat and aquatic products, medicine, foodstuffs and other goods respectively, plus a purchasing centre for farm and sideline products. Under the 26 supply and marketing co-ops, there are 97 branches which in turn control 326 purchasing and retail centres. Together they form a commercial network within easy reach of 84 per cent of the county's 518 production brigades, some just round the corner while the farthest being only two to three kilometres away.

But things were entirely different in the old society. Then, all the shops in the county were concentrated in 10 townships and 20 of them were bigger ones each employing three or more shop assistants. Operated by capitalists for no other purposes than making profit, they catered mainly to the needs of landlords and rich peasants. As to the poor and lower-middle peasants who lived in out-of-the-way villages and who had little

money to spend, they often had to row themselves a long way just to buy a piece of cloth. Taking advantage of the poor communications, profiteers used to cheat peasants in the lake district by selling them goods at exorbitant prices. More often than not, half a kilogramme of salt would cost a peasant as many as 50 kilogrammes of rice!

After liberation, the peasants were given land during the land reform and were thus freed from feudal exploitation once and for all. With this they were anxious to free themselves from the exploitation by capitalist commerce in the exchange of goods as well.

During our interview with Chang Tzu-shang, a poor peasant by origin, now director of the Wenwei Supply and Marketing Co-operative, he recalled how this and other co-ops got started.

In 1950, with the help of the county authorities, several rural supply and marketing co-ops were set up by way of an experiment. Financed by small funds pooled by the peasants as shares on a voluntary basis, these co-ops bought goods wholesale from shops in townships and sold them by retail to the villagers. The earnings from the difference between wholesale and retail prices were distributed as dividends among the shareholders at the end of each year. With the experiences provided by these experimental co-ops, many more were set up in the villages. Later, they were adjusted and gradually got into shape to become supply and marketing co-ops as they are today: Buying agricultural and sideline products from the peasants while supplying them with the means of production and consumer goods.

The establishment of supply and marketing co-ops was an inevitable outcome of historical development. In China, after the seizure of political power by the proletariat and prior to agricultural collectivization, there existed an exceedingly vast rural market in which the individual economy predominated. This market, if socialism failed to take over, would fall into the clutches of capitalism and become a hotbed for the growth of capitalism. But at that time, due to limited staff and material resources, state commerce for a while was not in a position to buy up all the products by the vast numbers of small producers and supply them with everything they needed. In the circumstances, it was necessary to develop energetically co-operative commerce through the masses' own efforts as an auxiliary to state commerce in regulating supply and demand, controlling the market and stabilizing prices. The ex-

pansion of supply and marketing co-ops thus played a positive role in augmenting the strength of socialist commerce, in cutting off the nexus between the individual economy and the capitalist economy, and in restraining the growth of the spontaneous forces of capitalism in the countryside; at the same time it also helped strengthen the ties between the state economy and the individual economy and contributed to the socialist transformation of the individual economy.

Following the upsurge of agricultural co-operation in 1955 and the establishment of rural people's communes in 1958, the individual economy in the countryside was replaced by the socialist collective economy. As revolution and construction continued to make headway in the rural areas, the state helped the supply and marketing co-ops branch out on a scale commensurate to the development of the situation. Apart from heavy investment, it sent large numbers of cadres to work in them. During the Great Cultural Revolution, commerce in the countryside was brought under the management of the poor and lower-middle peasants under the Party's centralized leadership — a good idea advanced by the masses. As a result, these co-ops have come off with ever greater successes in implementing the policy of "developing the economy and ensuring supplies."

### All-Out Support for Agricultural Production

One of the important tasks of rural supply and marketing co-operatives is to purchase and organize the production of the means of production such as chemical fertilizer, pesticides and farm implements for the countryside. In fulfilling the task, these co-ops have made contributions to boosting agricultural production and building Tachai-type counties throughout the country. Take the 26 supply and marketing co-operatives in Hanshou for example. Their increase in the supply of the means of production was in direct proportion to the growth of agricultural production, as shown in the following table:

Year	Total Value of the Means of production Supplied (million yuan)	Grain Yield per Hectare (kgs.)	Cotton Yield per Hectare (kgs.)
1971	11.46	7,080	413
1973	12.86	7,440	525
1974	13.11	7,830	802

We visited the Hucheng Supply and Marketing Co-operative housed in a two-storied building. It had shops on the ground floor, office rooms and staff members' dormitories on the upper floor and a backyard serving as a depot for farm tools and pesticides. With its four branches and 13 purchasing and retail centres this co-op was in the service of the commune's 20 production brigades embracing 25,000 people who worked 2,260 hectares of land.

Increases over the last ten years in the supply of chemical fertilizer and pesticides by this co-op (see table below) alone suffice to show the steady increase of

industry's support to agriculture through commercial channels.

Year	Chemical Fertilizer (kgs.)	Pesticides (kgs.)
1965	35,360	48,100
1974	893,850	94,050

With a view to consolidating and strengthening the collective economy, the co-ops also do what they can to help the communes and production brigades develop a diversified economy and produce on their own some farm implements and other means of production.

For instance, the demand for chemical fertilizer and pesticides at one time outstripped the supply when Hanshou County began gradually moving from the double-crop system to the triple-crop system in the movement to learn from Tachai. While taking steps to increase their stock, the co-ops joined efforts with some agricultural research departments to trial-produce chemical fertilizer and pesticides by indigenous methods and popularize their manufacture and use.

So we went to see Hucheng co-op's workshop producing pesticides by indigenous methods. There we saw three people concocting a kind of pesticide with china-berry seeds, pepper and tobacco stems. The whole county, we were told, had worked out 15 different recipes for preparing home-made pesticides. The advantages of these pesticides are obvious: There is ample supply of raw materials obtainable locally, the cost is low, they are easy to make; moreover, the chance for the farmland and crops to be contaminated is greatly reduced. Many production brigades, finding them being welcome to the commune members, have started making them.

### Closing Price Gaps Between Industrial And Agricultural Products

Before liberation, imperialists, feudal landlords and bureaucrat-capitalists used to fleece the Chinese peasants by buying farm produce cheap and selling industrial products dear, thus causing a sharp antagonism between town and country.

Since liberation, Chairman Mao has on many occasions given the instruction that the principle of exchange at equal values be followed in handling commodity exchange between the state and collective economies, and that policies be adopted to gradually narrow down the "scissors" difference between the prices of industrial and agricultural products, their aim being to promote agricultural production and consolidate the worker-peasant alliance.

Over the past two decades and more, the prices of commodities supplied by the state for the countryside have long remained stable, while those of a number of industrial products have gradually gone down with the development of production at lower costs. In addition, the state has raised the purchasing prices of agricultural and sideline products.

According to a leading member of the commercial department in Hanshou County, the average price index

for grey cloth, coal, salt, sugar, matches, thermos flasks and ink — taking that of 1949 as 100 — was 85 in 1974, down by 15 per cent. There were also price reductions in chemical fertilizer, pesticides and other means of production by a still wider margin, 53 per cent on the average. As to the purchasing prices of five farm products, namely, unhusked rice, rapeseed, ginned cotton, tea and hemp, the average index, with 1949 as 100, was 184 for 1974, up by 84 per cent.

Following are figures provided by Hanshou County's commercial department:

(1) Changes in prices for a number of the means of production supplied by the state:

Year	Chemical Fertilizer (per kg.)	Pesticides (per kg.)	Diesel Oil (per kg.)
1957	0.42 yuan	1.35 yuan	0.264 yuan
1965	0.38 yuan	1.15 yuan	0.164 yuan
1974	0.29 yuan	1.04 yuan	0.164 yuan

Yukang People's Commune (population: 36,500) thus spent 64,324 yuan less in 1974 than in 1965 on the same amount of these three items it bought.

(2) Purchasing price changes for several farm and sideline products:

Year	Wheat (per kg.)	Ginned Cotton (per kg.)	Jute (per kg.)	Pork (per kg.)	Fish (per kg.)	Eggs (per kg.)
1957	0.146 yuan	1.57 yuan	0.74 yuan	0.764 yuan	0.44 yuan	0.80 yuan
1965	0.228 yuan	1.77 yuan	0.84 yuan	0.92 yuan	0.58 yuan	1.24 yuan
1975	0.26 yuan	2.10 yuan	0.84 yuan	0.92 yuan	0.73 yuan	1.32 yuan

Thus, the same commune received 189,354 yuan more in 1974 than in 1965 for the same amount of these products it sold to the state.

### Growing Purchasing Power

With the steady development of agricultural production, the peasants are providing more marketable grain and other products to the state and their living standard too is being steadily improved.

Take Hucheng People's Commune (population: 25,000) as an example. The increase in its co-op's annual sales is as follows:

1965	(the year before the start of the Great Cultural Revolution)	943,500 yuan
1974		1,515,000 yuan

The growth of annual sales of some major consumer goods is as follows:

Year	Cotton Cloth (metres)	Knitting Wool (kgs.)	Bed Sheets	Thermos Flasks	Rubber Footwear (pairs)
1957	38,950	323	245	186	695
1965	55,458	632	548	485	1,058
1974	119,783	993	763	394	7,065

Here it must be pointed out that these figures do not represent the total amount of commodities the peasants have bought. When they have received their cash income at year's end, some of them would like to go shopping in the county seat or even cities in the province. Besides, they put aside part of their money as savings in the bank.

During our visit to Wenwei People's Commune, we called on a poor peasant named Li Yin-yu of the No. 2 Production Team under the Yihsing Production Brigade. Before liberation, Li's mother once worked as a wet nurse in a landlord family and he himself as a farm-hand. Still they and the whole family found it difficult to keep their body and soul together. One of Li's younger sisters died a beggar away from home, another one became a childbride. A younger brother was sold and nothing has been heard of him ever since. When Li got married in 1939, he had no money to buy anything and had to borrow a coat from a relative for the occasion. Now Li has a family of 11 living in a new brick house furnished with a wardrobe and other things. Each member of the family now on the average has three outer garments made of woollen fabrics, not to mention cotton and padded clothes for daily wear. A regular customer to the co-op shops, Li has money deposits in the bank.

What has happened to Li Yin-yu and his family gives us a general idea of the living standard of his fellow villagers.

While chatting with the peasants about the changes in their life, we learnt a ballad popular among the commune members which runs:

*With the Party's line lighting the way,  
Up goes production year by year.  
With increasing output of cotton and grain,  
Life is getting better and better.  
Much we owe to Chairman Mao and the Party,  
For they bring us our happy life today.*

### Trade at Rural Fairs

In China's vast rural areas today, apart from the commercial activities of the supply and marketing co-ops, there still remains a certain amount of trade conducted at rural fairs. There the peasants sell farm produce grown on their private plots, household sideline products and handicrafts. The ownership system in China's rural economy is in the main one of collective ownership, and there still are small plots farmed by commune members for their personal needs and limited household sideline production. Such being the case, some farm and sideline products — products which the co-ops are not yet ready to handle but the commune members find it necessary to exchange among themselves — are bought and sold at the rural fairs. Organized and led by the co-ops in a planned way, these fairs are held at places marked off and at the time fixed

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by the authorities concerned, where certain goods may be bought or sold strictly at prearranged prices.

Hanshou County has 13 such fairs in townlets where farm and sideline products like vegetables, fruit, aquatic products, handicrafts and piglings are made available.

Trading at rural fairs, while playing a positive role in promoting agricultural and sideline production and brisking up the rural economy, has the negative effect in disturbing the market and giving rise to speculation. Therefore it is necessary to strengthen leadership and

management. For instance, there must be strict control over prices and the variety of commodities in circulation; no major farm and sideline products vital to the national economy and the people's livelihood are allowed to enter the rural fairs; prices offered must not exceed what has been approved; it is not allowed to ship in goods from distant places or resell goods. As the co-ops are steadily expanding their business, increasing the variety of commodities and setting up more retail outlets, the role played by the rural fairs and the number of products they handle are on the decline. In 1965, trading at rural fairs in Hanshou accounted for only 4 per cent of the county's total retail sales; by 1974, it had gone down to 2.26 per cent.