

ANALYSIS OF A MAJOR OFF-FARM ENTERPRISE: SHUIMO PAPER PLANT

In 1990 Shuimo township had 76 rural enterprises with 351 employees. Most enterprises in Shuimo are rudimentary economic operations. Their technology is simple, production scale small, employees few, and the management is mostly informal. In order to understand the operation of an enterprise in-depth, the Shuimo Paper Plant was selected for three reasons: First this off-farm activity is important and has a great deal of potential in Shuimo; secondly, it has close linkages with the local community and thirdly, it is a typical local business firm and is well organised and equipped.

Background to Shuimo Paper Plant

Shuimo township is noted for its bamboo which is an ideal raw material for paper. In the 1920s someone had attempted to operate a paper plant here. In 1937 a simple paper plant called Lide Paper Plant was established in Mozhigou. After six years of operation, it went bankrupt. In 1958, Shuimo Paper Plant was established on the site of the bankrupt Lide Paper Plant. It had 30 to 40 employees and produced 20 tons of paper annually with an output value of 25,000 *yuan*. In 1962, the plant was closed down. After a year, it was reopened but its ownership changed from State-owned to collectively-owned.

In 1978 the plant moved to its present site, the scale of production expanded, and technological equipment was improved.

Type and Scale

Shuimo Paper Plant is situated near the township centre and is linked to the road. The plant is a collective enterprise directly under the township government. It is a small enterprise by national standards in terms of both plant size and production scale. The plant now has 31 regular staff and workers.

At present, the plant produces rough toilet paper, kraft paper, crepe paper, and *Huangqian paper*. *Huangqian paper* is a kind of paper used in certain rites and makes the most profit among the four kinds of product.

Organisation and Management

The management at Shuimo Paper Plant includes one director, one deputy director, one accountant, one cashier, one storekeeper, and two sales' people who are also in charge of material supply.

Director and deputy director handle all the plant affairs by themselves. Theoretically, according to the signed contract, the director has full power over plant operations, but his authority is often limited. This is the most important reason why the plant is not doing well.

Because the paper plant is a key enterprise in the township, the township administration pays a lot of attention to the development of the plant. In order to operate the plant in a better manner, the township administration is assigning a deputy township governor to be responsible for plant affairs.

Technical Innovations

Technological innovations were introduced to modernise the Shuimo Paper Plant between 1986 and 1989. As a result, obsolete manual tools were replaced by mechanical equipment and both the production scale and technical requirements have also been upgraded. The planned production capacity has been upgraded to 800 tons per year, although this target still remains to be achieved in real production. The investment for this modernisation was about 550 thousand *yuan*. This investment was realised from three sources: bank loans (200 thousand *yuan*), government funds (150 thousand *yuan*), and civil loans (200 thousand *yuan*). The civil loan was from Majiaying village. This village had received a considerable sum in the form of compensation for the loss of cultivated land as a result of the construction of a factory. The village loaned 200 thousand *yuan* for investment, a large sum of money in Shuimo, to the paper plant under the condition that the plant must employ 25 farmers from the village as regular workers.

During recent years, the plant has paid considerable attention to technical training. Most of the workers have received short-term basic training. The plant sent 17 staff and workers for further training. Since 1986 the total expenditure for training reached 24 thousand *yuan*. These trainees have become the technical backbone of the plant.

Marketing

Many of the plant's products are sold locally. *Huangqian* paper, which is a major product of the plant, is sold mainly to Hunan and Zhejiang provinces.

Before 1988, the operation of the plant was controlled directly by the township administration. The administration determined the annual output of the plant. Poor planning resulted in poor sales because the products did not have sufficient market demand. Since 1989, the plant has been given more operating powers, and it can decide on the type and quantity of production based on market demand.

Raw materials include mainly bamboo and waste paper. Both can be obtained locally. Income earned from the plant has helped farming activities in terms of buying seeds and fertilizer. In the busy season, the plant hires about 20 seasonal workers for purchasing and transporting bamboo.

Extension and Support

The plant, as indicated earlier, has received support for its expansion programme in terms of credit, technical training, and technological modernisation. However, for the plant to be sustainable there must be a continuous source of raw material. The bamboo groves that are there at present cannot provide raw material for expanded production in the long run. The farmers need, therefore, to be motivated and encouraged to plant more bamboo on appropriate lands. Extension and support in this aspect has been lacking. This indicates a lack of long-term planning.

The case of the Shuimo Paper Plant shows that there are many successful elements to this particular off-farm activity: use of local raw materials; the high-value, low-bulk nature of the product; linkages with the farming system; and a source of income for the township administration as well as the farmers.

On the other hand, lack of proper long-term planning, negligence regarding the creation of a sustainable raw material base, and poor management are some of the problems facing this enterprise.