

Transformative Development of Supply and Marketing Cooperatives with Bond Financing and Credit Perspectives

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Abstract: Since the issuance of the Decision of the CPC Central Committee and the State Council on Deepening the Comprehensive Reform of Supply and Marketing Cooperatives in 2015 and the further clarification of the reform direction of Supply and Marketing Cooperatives (SMCs) in the 2023 Central No. 1 Document, SMCs have become increasingly important in the strategy of rural revitalization. This paper takes the transformation and development of SMCs, their bond financing, and credit as the research objects. Firstly, it sorts out the development history and current situation of SMCs, dividing the history into four stages: the initial establishment stage, the tortuous development stage, the reform exploration stage, and the deepened reform stage, while analyzing the policy opportunities for SMC transformation under the background of rural revitalization. Secondly, based on the bond financing data of SMC enterprises since 2016, it examines the overall overview of issuer credit ratings and bond types, and conducts in-depth analysis with typical cases such as China Supply and Marketing Group (CSMG) and Huangshan Supply and Marketing Group (HS-SMG). Finally, it summarizes the credit rating logic of SMCs, arguing that the core influencing factors include the policy environment, industry attributes, business operations, and external support. The research shows that SMCs have achieved remarkable results in transformation, but there is a significant gap between their bond financing scale and the overall scale of the credit bond market, leaving broad room for development in the future. Meanwhile, optimizing financing channels, strengthening the self-construction of enterprises, and improving the credit system are of great significance for SMCs to support rural revitalization.

Keywords: Supply and Marketing Cooperatives (SMCs); Bond Financing; Credit Rating; Rural Revitalization

1. Introduction

Since the release of the Decision of the CPC Central Committee and the State Council on Deepening the Comprehensive Reform of Supply and Marketing Cooperatives (Zhongfa [2015] No. 11) in 2015, the national SMC system has been committed to serving the "three rural issues" (agriculture, rural areas, and farmers) and continuously promoting institutional reform and mechanism innovation, playing a crucial role in advancing agricultural modernization and constructing the rural circulation system. The 2023 Central No. 1 Document clearly states that it is necessary to "continuously deepen the comprehensive reform of SMCs and enhance their capacity to serve agriculture, rural areas, and farmers," further highlighting the important position of SMCs in the rural revitalization strategy. Against this backdrop, deepening the comprehensive reform of SMCs and improving their service capabilities have become urgent practical issues.

As an important channel for the capital market to serve the real economy, the bond market provides possibilities for SMC enterprises to expand financing channels and optimize capital structures. In recent years, leading enterprises such as China Supply and Marketing Group and Beijing Supply and Marketing Investment Management Center have attempted to raise funds through issuing corporate bonds, medium-term notes, and other instruments. However, from an overall perspective, the bond financing scale of SMC enterprises (a total of 16.31 billion yuan since 2016) is still significantly smaller than the overall scale of the credit bond market (the annual issuance scale of credit bonds exceeded 20 trillion yuan in 2024), with prominent problems such as narrow financing channels and low credit recognition. Based on this, this paper systematically sorts out the current situation of SMC transformation, analyzes the characteristics of their bond financing and credit rating logic, aiming to provide references for promoting

the development of the SMC bond financing market and enhancing their capacity to serve the "three rural issues."

2. Current Situation and Transformation Direction of Supply and Marketing Cooperatives

2.1 Development History and Current Situation of SMCs

As a key component of China's rural circulation system, the development of SMCs is closely tied to the country's rural policies and economic system reform, which can be divided into four stages:

Initial Establishment Stage: In July 1918, the "Peking University Consumer Cooperative" was established, marking China's earliest cooperative. Since the 1920s, the cooperative system has developed to varying degrees in both the base areas led by the Communist Party of China (CPC) and the Kuomintang-ruled areas. In November 1949, the Government Administration Council established the Central Cooperative Undertaking Administration to guide the national cooperative undertakings. In July 1950, the First National Congress of Chinese Cooperative Workers was held, establishing the All-China Federation of Cooperatives (ACFC) to uniformly lead and manage national supply and marketing, consumer, and handicraft cooperatives. In July 1954, the First National Congress of All-China Cooperatives decided to rename ACFC as the All-China Federation of Supply and Marketing Cooperatives (ACFSMC), adjusting the scope of business in accordance with the principle of dividing urban and rural responsibilities between state-owned commerce and cooperative commerce. Statistics show that in 1955, SMCs covered more than 80% of towns and townships; in 1957, 95% of rural households became shareholders of SMCs.

Tortuous Development Stage: In March 1958, ACFSMC merged with the Urban Service Department and was renamed the Second Ministry of Commerce, which was restored in 1962. During the "Cultural Revolution" in 1970, ACFSMC merged with the Ministry of Commerce, the Ministry of Grain, and the State Administration for Industry and Commerce to form the Ministry of Commerce, and was restored again in February 1975. In January 1982, ACFSMC merged with the Ministry of Commerce and the Ministry of Grain to form a new Ministry of Commerce. During this period, the development of SMCs experienced multiple adjustments and changes. From 1952 to 1981, the proportion of SMCs' retail sales of commodities in rural areas remained above 60%, and the purchase volume of crops such as tea, cotton, tobacco, and hemp remained above 90%, reaching 100% in some individual years ^[1].

Reform Exploration Stage: In 1995, the CPC Central Committee and the State Council issued the *Decision on Deepening the Reform of Supply and Marketing Cooperatives*, and ACFSMC was re-established. Since then, SMCs have carried out a series of reform explorations with the goal of becoming farmers' cooperative economic organizations, such as restoring the "three characteristics" (mass participation in organization, democratic management, and flexibility in operation) and implementing the "Five Breakthroughs" and "Six Developments" initiatives. However, they also faced impacts such as the Asian financial crisis and large-scale restructuring during the reform process.

Deepened Reform Stage (2015 to Present): After the issuance of Zhongfa [2015] No. 11 Document in 2015, SMCs entered a new stage of comprehensive reform. By the end of 2024, there were 2,789 SMC institutions at or above the county level nationwide (with 90.24% receiving full financial appropriations) and 37,700 grassroots SMCs. The coverage rate of SMCs in towns and townships increased from 56% in 2012 to over 95%, achieving "full coverage of towns and townships." In 2024, the total sales volume of the national SMC system reached 7.23 trillion yuan (a year-on-year increase of 11.6%), including 2.23 trillion yuan in agricultural product sales (+12.5%) and 1.74 trillion yuan in agricultural means of production sales (+10.3%), showing a significant recovery in business scale and service capabilities (Data source: 2024 Annual Work Report of ACFSMC).

In terms of organizational structure, SMCs have formed a five-level system: "All-China Federation of Supply and Marketing Cooperatives (ACFSMC) - provincial-level SMCs - municipal-level SMCs - county-level SMCs - grassroots SMCs." Their business covers four traditional fields: supply of agricultural means of production, circulation of agricultural products, operation of consumer goods, and recycling of renewable resources, and has gradually expanded to fields such as rural e-commerce and financial services in recent years.

2.2 Policy Opportunities for the Transformation and Development of SMCs

At present, China is in a critical period of comprehensively advancing rural revitalization and

accelerating the construction of a strong agricultural country, which provides favorable policy opportunities for the transformation and development of SMCs. The 2023 Central No. 1 Document clearly proposes to "continuously deepen the comprehensive reform of SMCs and enhance their capacity to serve agriculture, rural areas, and farmers." Local governments have also issued relevant policies to support the reform and development of SMCs. For example, Anhui Province issued the *Implementation Opinions on Deepening the Comprehensive Reform of Supply and Marketing Cooperatives*, proposing that by 2025, the provincial SMC system should cultivate and strengthen more than 100 leading agricultural industrialization enterprises and build more than 1,000 service centers for agriculture, rural areas, and farmers. Policy support provides a strong guarantee for the transformation and development of SMCs.

2.3 Main Directions of SMC Transformation and Development

2.3.1 Strengthening the Function of Serving Agriculture, Rural Areas and Farmers

Serving the "three rural issues" has always been the core task of SMCs. In terms of the supply of agricultural means of production, SMCs ensure the stability and quality of supply by establishing a reserve system for agricultural means of production and developing chain operations. At the same time, it is necessary to establish a sound linkage mechanism and management system to enable lower-level institutions to cooperate in fulfilling the responsibility of serving the "three rural issues" [4]. Guided by the concept of the rule of law in digital transformation, SMCs should deepen comprehensive reform, innovate digital management systems, and improve their comprehensive management capabilities. In terms of agricultural product circulation, SMCs actively build agricultural product wholesale markets and cold chain logistics facilities to improve the efficiency of agricultural product circulation. For example, Sinochem Agricultural Group (a subsidiary of CSMG), the largest agricultural means of production circulation enterprise in China, ensures the timely supply of agricultural means of production by laying out agricultural material distribution centers across the country. Meanwhile, Sinochem Agricultural Group also provides agricultural socialized services such as soil testing and formulated fertilization, and unified prevention and control of diseases and pests, helping farmers apply fertilizers and pesticides scientifically and improve agricultural production efficiency.

2.3.2 Promoting Diversified Business Development

To adapt to changes in market demand, SMCs actively promote diversified business development. In addition to traditional businesses such as agricultural means of production and agricultural products, SMCs have also entered fields such as rural e-commerce, rural finance, and elderly care services. For example, the Zhejiang Provincial SMC has actively developed rural e-commerce and built the "Online Agricultural Expo" platform, helping farmers sell agricultural products through the integration of online and offline channels. By the end of 2024, the "Online Agricultural Expo" platform had achieved cumulative sales of 5.67 billion yuan, driving an increase in farmers' income of 1.25 billion yuan. At the same time, it is necessary to strengthen brand building and marketing, and SMCs need to clarify their brand positioning and brand planning goals. Among them, brand positioning should be determined based on market demand, consumer behavior, and competitive environment to maintain the unique value and stable position of SMCs in market competition; the core goal of brand planning is to shape the brand image, and SMCs can establish a unique brand image by designing brand names and logos [3].

2.3.3 Innovating Business Models and Technology Applications

In the digital era, SMCs actively innovate business models and apply new technologies to improve service levels. For example, some SMCs have realized the integrated development of online and offline businesses by developing "Internet +" services. At the same time, they build a rural financial digital platform based on the SMC system, which deeply connects with various small and micro financial institutions such as provincial rural credit unions and rural banks. By innovating the financial product matrix and optimizing the entire service process, they provide farmers with diversified financial services including microcredit, inclusive finance, agricultural insurance, financial leasing, and online agricultural assistance, comprehensively activating the rural financial ecosystem and supporting rural revitalization [2]. In addition, technologies such as big data and the Internet of Things (IoT) are used to monitor the entire process of production, circulation, and sales of agricultural means of production and agricultural products, improving operational efficiency and management levels [5]. The Jiangsu Provincial SMC has established a quality traceability system for agricultural means of production using IoT technology. By scanning a QR code, consumers can query information such as the manufacturer, production date, and usage methods of agricultural means of production, ensuring the quality and safety of agricultural means

of production^[6].

3. Bond Issuance and Credit Analysis of SMC Enterprises

3.1 Overall Overview of Bond Issuance by SMC Enterprises

According to incomplete statistics, since 2016, a number of SMC enterprises across the country have issued bonds, including China Supply and Marketing Group, Beijing Supply and Marketing Investment Management Center, Chongqing Supply and Marketing Holding Group, and Huangshan Supply and Marketing Group. The bond types issued include corporate bonds, short-term commercial papers, and medium-term notes. As shown in Table 1, the statistics in this paper cover 19 bonds issued by 9 SMC enterprises, with a total issuance amount of 16.31 billion yuan. The issuer credit ratings include AA, AA+, and AAA, accounting for 40%, 20%, and 40% respectively. The credit ratings of 13 bonds are distributed among AA, AA+, AAA, and A-1, accounting for 15.38%, 15.38%, 53.85%, and 15.38% respectively.

Overall, the number of SMC enterprises issuing bonds is small, and the bond financing amount in recent years is significantly smaller than that of the large-scale credit bond market. Under the guidance of the national strategies of comprehensive rural revitalization and building a strong agricultural country, especially the policy guidance of deepening the comprehensive reform of SMCs, the national SMC bond financing market still has great development potential.

Table 1: Development Status of Selected SMC Enterprises

Bond Abbreviation	Issuance Date	Issuance Coupon Rate (%)	Issuance Denomination (100 million yuan)	Term (years)	Issuer Credit Rating at Issuance	Bond Credit Rating at Issuance	Issuer	Bond Type
18 Gongxiao Y1	2018/8/9	5.99	10	3	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Corporate Bond
19 Gongxiao MTN001	2019/3/14	4.7	20	5	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
21 Gongxiao MTN001	2021/1/14	4.26	10	5	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
21 Gongxiao MTN002	2021/7/14	3.5	10	3	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
23 Gongxiao MTN001	2023/3/9	4.2	10	3	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
23 Gongxiao MTN002	2023/8/9	3.4	15	3	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
24 Gongxiao 01	2024/1/25	2.84	20	3	AAA	AAA	China Supply and Marketing Group Co., Ltd.	Corporate Bond
18 Jingongxiao MTN001	2018/5/24	5.37	10	3	AA+	AA+	Beijing Supply and Marketing Investment Management Center	Medium-Term Note (MTN)
20 Jingongxiao MTN001	2020/6/30	5.5	8	3	AA+	AA+	Beijing Supply and Marketing Investment Management Center	Medium-Term Note (MTN)
19 Yuxiao 01	2019/1/18	7.5	2.8	3	AA	AA	Chongqing Supply and Marketing Holding (Group) Co., Ltd.	Corporate Bond
20 Wuhan Gongxiao Epidemic MTN001	2020/6/18	5.1	1.6	3	AA	AA	Wuhan Supply and Marketing Group Co., Ltd.	Medium-Term Note (MTN)
16 Xi'an Minsheng CP001	2016/1/20	4.9	6	1	AA	A-1	Gongxiao Daji Group Co., Ltd.	Short-Term Commercial Paper (SCP)
16 Exiaoxiao CP001	2016/11/30	4.2	5	1	AA	A-1	Hubei Provincial Supply and Marketing Cooperatives Assets Management Co., Ltd.	Short-Term Commercial Paper (SCP)
19 Xinjiang Gongxiao SCP001	2019/7/18	6	1	0.49	AA	-	Xinjiang Supply and Marketing Investment (Holding) Group Co., Ltd.	Short-Term Commercial Paper (SCP)
19 Exiaoxiao 01	2019/12/25	6.1	3	5	AA	-	Hubei Provincial Supply and Marketing Cooperatives Assets Management Co., Ltd.	Corporate Bond
20 Yugongxiao (Epidemic Prevention)	2020/3/30	5	3	0.74	AA	-	Chongqing Supply and Marketing Holding (Group) Co., Ltd.	Short-Term Commercial Paper (SCP)

SCP001 20	Wanhongxiao	2020/11/9	5.3	2.7	0.74	AA	-	Anhui Provincial Supply and Marketing Group Co., Ltd.	Short-Term Commercial Paper (SCP)
SCP001 19	Jingongxiao	2019/3/25	5.2	5	0.74	AA+	-	Beijing Supply and Marketing Investment Management Center	Short-Term Commercial Paper (SCP)
24 Huanggong 001		2024/12/12	2.95	5	3	AA+	-	Huangshan Supply and Marketing Group Co., Ltd.	Corporate Bond

3.2 Analysis of Typical Cases

3.2.1 China Supply and Marketing Group Co., Ltd

China Supply and Marketing Group (CSMG) is a large-scale agricultural-related circulation industrial group established with the approval of the State Council in January 2010, and a wholly-owned enterprise of ACFSMC. CSMG has total assets of 150 billion yuan, 11 wholly-owned and holding subsidiaries, and 38,900 on-the-books employees. CSMG focuses its business on five fields: the agricultural production end, the consumer end of urban and rural residents, renewable resource recycling and processing, e-commerce, and financial services. It holds a leading position in the national industry in terms of operating scale and strength in fields such as agricultural means of production, cotton, renewable resources, daily consumer goods, and agricultural product wholesale markets. In 2023, the company achieved an operating revenue of 232.628 billion yuan.

As a leading enterprise in the SMC system, CSMG has issued bonds in recent years to repay debts (including trust loans) and supplement corporate working capital. For example, in 2024, CSMG issued medium-term notes with a value of 500 million yuan and a coupon rate of 3.5%, using the raised funds to repay maturing debts and supplement working capital. According to the credit rating report of CCXI (China Chengxin International Credit Rating Co., Ltd.), CSMG has an issuer credit rating of AAA with a stable outlook. Rating agencies believe that as a core enterprise in the SMC system, CSMG has significant advantages in policy support, industry status, and business scale.

3.2.2 Huangshan Supply and Marketing Group Co., Ltd

Huangshan Supply and Marketing Group (HS-SMG) is an enterprise group under the Huangshan Municipal SMC. In December 2024, HS-SMG successfully issued corporate bonds with a value of 500 million yuan, marking the first bond issuance by a prefecture-level city SMC industrial company in China. The bonds have a term of 3 years and a coupon rate of 2.95%, with HS-SMG holding an issuer credit rating of AA+.

HS-SMG's business covers fields such as agricultural product circulation, agricultural means of production operation, and renewable resource recycling. Through bond issuance, HS-SMG has injected funds into its development, enhancing the stability of its capital chain. At the same time, it has also conveyed to the market the determination and capability of local SMCs to adapt to economic transformation and seize market opportunities.

3.3 Key Points and Logic of SMC Credit Rating

3.3.1 The Policy Environment is an Important Support

A favorable policy environment is an important driving force for the development of SMC groups and the maintenance of their credit quality. As one of the country's important circulation channels for agricultural products, the central government has clearly emphasized the call to promote the comprehensive reform of SMCs, and SMCs are expected to become an important force in advancing rural revitalization and building a strong agricultural country. In terms of policy support, SMCs enjoy certain policy advantages in tax incentives, fiscal subsidies, and project approval. For example, in the reserve of agricultural means of production, the government provides certain fiscal subsidies to SMC enterprises to ensure the stable supply of agricultural means of production. Policy support helps improve the profitability and risk resistance of SMC enterprises, thereby enhancing their credit ratings.

3.3.2 Industry Attributes Affect Ratings

In terms of industry attributes, the issuer credit ratings of such enterprises are usually based on the credit rating standards for commercial and trade entities, which is closely related to the business operations of these enterprises. The business of SMC enterprises is mainly concentrated in the circulation fields of agricultural means of production, agricultural products, and consumer goods. These industries

are closely related to the national economy and people's livelihood, but they also face problems such as fierce market competition and low gross profit margins. Taking the agricultural means of production circulation industry as an example, due to fierce market competition, the gross profit margins of enterprises are generally low, and it is necessary to improve profitability through large-scale operations. Industry attributes have an important impact on the credit ratings of SMC enterprises, and rating agencies will focus on factors such as industry development trends and market competition patterns during the evaluation process.

3.3.3 Business Operations are a Key Factor

In terms of business operations, promoting business diversification and model innovation based on serving the "three rural issues" is an important driving force for the development of SMCs. The status of business operations is a key factor affecting the credit ratings of SMC enterprises. Rating agencies will pay attention to indicators such as the scale of business, market share, operational efficiency, and profitability of enterprises. For example, CSMG has significant scale advantages in businesses such as agricultural means of production and cotton, with a high market share and operational efficiency leading the industry. These factors help enhance its credit rating. At the same time, the degree of business diversification and innovation capabilities of enterprises also affect their ratings: business diversification can reduce the operational risks of enterprises, while innovation capabilities help enterprises adapt to market changes and improve competitiveness.

3.3.4 External Support Enhances Credit

External support from major shareholders and local government financial support is an important source for SMCs to improve their credit quality. For example, the shareholder of CSMG — ACFSMC — is the national federation of SMCs, responsible for guiding the development and reform of national SMCs. As a core enterprise in the SMC system, CSMG can obtain support from ACFSMC. According to the CCXI credit rating report, in 2024, ACFSMC allocated 925 million yuan of annual central financial support funds for the comprehensive reform of SMCs to CSMG. External support is an important factor in improving the credit ratings of SMC enterprises. Support from major shareholders can be reflected in capital injection, asset injection, and business support, while financial support from local governments can improve the profitability and debt-servicing capabilities of enterprises. For example, some local governments support SMC enterprises in carrying out businesses such as agricultural product procurement and agricultural means of production reserves through fiscal subsidies, which helps enhance the credit ratings of enterprises.

4. Conclusions and Recommendations

Through the research on the transformation and development of SMCs, their bond financing, and credit status, the following conclusions are drawn: Firstly, under policy support, SMCs have ushered in opportunities for transformation and development, and have continuously improved their competitiveness by strengthening the function of serving the "three rural issues," promoting diversified business development, and innovating business models and technology applications. Secondly, the development of bond market financing is an important way to improve the financing environment of SMCs, but currently, the number of SMC enterprises issuing bonds is small, the financing scale is relatively small, and the bond market still has great development potential. Thirdly, the key points or logic of SMC credit ratings mainly include the policy environment, industry attributes, business operations, financial status, and external support. A favorable policy environment, diversified business operations, stable financial status, and strong external support help improve the credit ratings of SMC enterprises.

With the in-depth implementation of the rural revitalization strategy and the continuous advancement of the comprehensive reform of SMCs, SMCs will play a more important role in serving the "three rural issues" and promoting rural economic development. In terms of bond financing, SMC enterprises should actively expand financing channels, innovate financing methods, and increase financing scale. At the same time, they should strengthen their self-construction, improve their business operation capabilities and financial management levels to enhance credit ratings and reduce financing costs. In terms of credit system construction, it is necessary to further improve the credit rating indicator system, strengthen the sharing of credit information, and establish and improve credit risk prevention mechanisms. In addition, further research is needed on how to promote the sustainable development of SMC enterprises through the coordinated development of bond financing and credit system construction, providing strong support for the implementation of the rural revitalization strategy.

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