



Establishing a Community-Based Natural Farming Alliance in China

July 2016

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Executive Summary



Executive Summary (1/2)

Global View

With global population expected to exceed 9.1 billion by 2050, the need for more sustainable food value chains that meet current and future needs is pressing. If current trends continue, the combination of population growth and richer diets will require us to roughly double the amount of crops we grow by 2050, putting massive strain on our limited resources.

There is an urgent need for effective policies and practices to regulate intensive agricultural and livestock operations and support environmentally and economically sustainable practices and waste management.

Situation in China

Despite its declining share in GDP, the agricultural industry remains the lifeblood of the country with the livelihoods of approximately 230 million smallholder farming households depending on it. As the country's appetite for meat, fish and dairy products continues to grow, recent decades have witnessed an increasing trend towards investment in large-scale industrial farming operations.

The expansion of industrial farming and the increase in environmental, health and food safety concerns associated with the livestock and agriculture industry are beginning to make experts, consumers and government authorities question the current approach to food production and consumption.

The country's agriculture sector is struggling to keep pace as the environmental consequences worsen and food safety become a national priority. Food safety scandals across the country have given rise to a growing demand amongst consumers for healthy, high-quality and affordable produce.

Shijie Company & Yunfeng Cooperative: The Current Business Model

Recognising the widespread negative impacts of commercial agricultural practices, Ms. Li Yunfeng and Mr. Li Shijie co-founded the Yunfeng Cooperative and Shijie Company in 2009 with a vision to develop Guojia Village into an eco-village with the Natural Farming industry as the driver of growth.

The cooperative was founded to organise smallholder farmers in Guojia Village and scale up production whilst supporting sustainable rural development. The company is a member and shareholder of Yunfeng and was first established to support the operations of the cooperative.

The promotion of Natural Farming which integrates crop and livestock production in a closed loop, self-supporting, zero-waste emission system, and Participatory Guarantee System (PGS), a locally focused quality assurance system which certifies producers based on active participation of stakeholders are integral components of Shijie and the Yunfeng model.

The benefits of Shijie and Yunfeng go beyond Guojia Village. The founders are committed to utilising their deep understanding of the industry and the challenges facing smallholder farmers to address the needs in both agricultural production and social development by establishing a national Natural Farming Alliance and laying the groundwork for the expansion of a healthy and sustainable approach to food production and rural development across China.



Executive Summary (2/2)

The proposed business model describes the membership and services of “Shihe”: The Global Harmony Natural Farming Alliance which will comprise a network of cooperatives, food producers and others across the agricultural value chain.

The National Natural Farming Alliance: A Sustainable Approach to Food Production & Rural Development

In July 2016, a cohort of participants from 6 countries and 9 companies and organisations travelled to Changchun to gain insights into the challenges and opportunities related to food safety and agriculture sector in China and to work with the Shijie and Yunfeng teams to produce a business plan to support their commercial and social aspirations for the establishment of a national Natural Farming Alliance in China.

Key features of the business proposal include:

- The creation of a national Natural Farming Alliance which will comprise a network of cooperatives, food producers and others across the agricultural value chain. Shijie will manage the Alliance and Yunfeng’s “Multifunctional Natural Farming Cooperative” model will serve as the benchmark and model for replication within the Alliance.
- Development of Alliance member services to be delivered by Shijie with the support of local Guixiang teams. A Flagship Production and Living School to be established in Guojia Village will play a crucial role in cultivating Natural Farming and rural development talents and support the development of local Service Demonstration Centres and other Production and Living Schools across China to be set up in partnership with Alliance members.
- Creating a recognised and trusted brand for the Alliance will support Shijie’s aim of promoting Natural Farming in China. The brand of the Alliance will be based upon a unified system of production, management and marketing with PGS at the centre. It will give producer members and value chain partners unique recognition in the market as the Alliance grows.
- To support Shijie’s transition into a participative shareholding structure, the proposal includes details of a joint ownership structure between the three Shijie founders and the 47 Alliance founding members.

Financial Highlights

- Shijie and the Alliance present an attractive opportunity for investors, partners and others in the agriculture value chain looking to create a significant impact on food safety and rural development in their local communities and across China.
- Shijie will require an initial investment of RMB 10.6 million for the set up of the Guojia Village Production and Living School, online service platform and additional set-up costs. Shijie will have a Net Present Value of RMB 11.5 million with a payback period of 2.4 years. Investment from impact investors may be considered.
- Shijie’s revenues are expected to exceed RMB 58.3 million by 2021, with a net income of RMB 10.5 million.





Introduction & Background

Global Leaders Programme



The **Global Institute For Tomorrow (GIFT)** is an independent pan-Asian think tank providing content-rich and intellectually challenging executive education from an Asian worldview.

The **Global Leaders Programme (GLP)** is GIFT's flagship executive education programme designed for managers from leading global organisations to think critically about the drivers of change in the 21st century and develop new business models that address the defining challenges of our times.

Project Team

- Cohort of participants from 6 countries and 9 companies and organisations participated in the 47th GLP in Hong Kong and Changchun, China in July 2016.
- In partnership with the Shijie Agricultural Technology Development Company and the Yunfeng Farming Cooperative – local entities founded in 2009 with a vision of promoting Natural Farming Practices and a healthier and more sustainable approach to food production and rural development in China – participants worked to produce business recommendations to support their commercial and social aspirations for the establishment of a national Natural Farming Alliance in China.

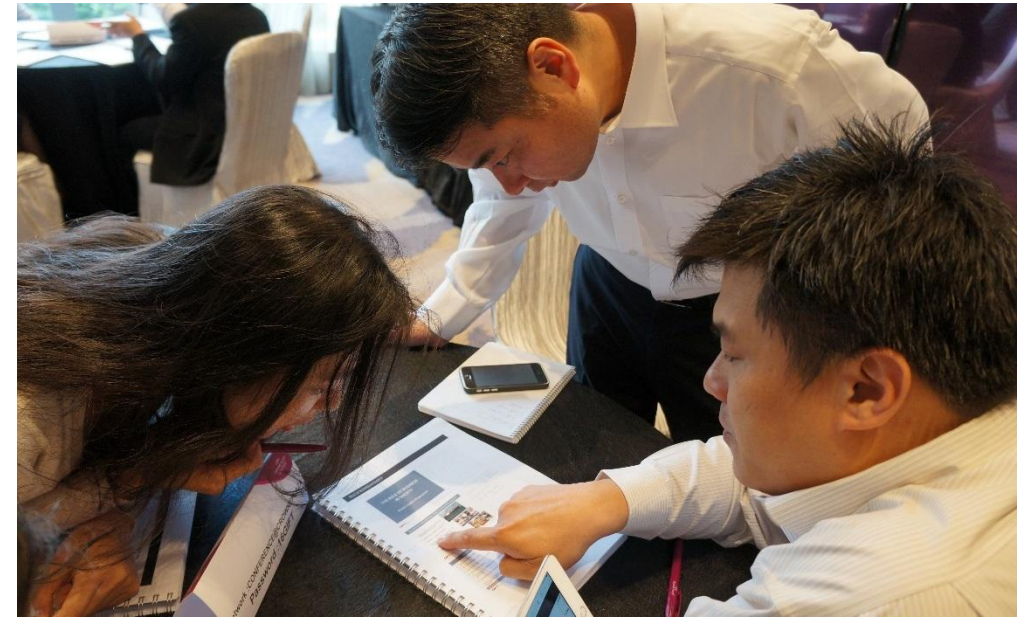


Team of professionals exploring business challenges and opportunities to promote sustainable agricultural practices in China

Scope of Project (1/2)

Programme Objectives

- Explore and gain deeper insights into China's agricultural sector, issues related to food safety: the challenges, drivers and trends and the growing need for safe and sustainable agricultural practices.
- Create a business plan for Shijie, Yunfeng and their partners to establish a national Natural Farming Alliance thereby laying the groundwork for the expansion of a healthier and more sustainable approach to food production and rural development in China.
- Develop a financially viable business plan that is attractive for investors, partners and potential Alliance members who share the company's vision and takes into account the balance between the commercial viability and social mandate of the business.
- Build out recommendations for Shijie that takes into account:
 - Country context including the social and economic factors that impact the agricultural sector;
 - Supply side of the industry including Alliance member services, suggestions for a successful organisational and management structure and recommendations for overcoming key challenges and concerns;
 - Demand side including target Alliance members and promotion strategies, value chain partners and key markets for products;
 - The potential for replication and scalability in Jilin Province and other parts of China.



Scope of Project (2/2)

The GLP is a two-week leadership programme combining classroom and field-based learning.

Methodology for Field Project

- Visits and meetings with diverse stakeholders from the private, public and civil sectors to critically evaluate Yunfeng and Shijie's current business model and produce business recommendations to support and strengthen the establishment of a national Natural Farming Alliance and lay the groundwork for the expansion of a healthier and more sustainable approach to food production and rural development in China.

Insights from key stakeholders including:

- Representatives from the Shuangyang Government, Guojia Village committee and the Women's Union; Yunfeng and Shijie management team, stakeholders, members and value chain partners; distribution centers and retail outlets; Guixiang team members; and the Jilin Real Estate Chamber of Commerce.

Outcomes

- Development of a business plan with analysis of five key areas: Business Model & Strategy; Governance & Organisational Management; Financial Analysis & Investment; Sales, Marketing & Participatory Guarantee System (PGS); and Alliance Member Services & Social Impact.
- Presentation of highlights of business plan to representatives from the government and the agricultural industry, professionals from food production companies, university professors and students and the media.



China: Country Snapshot & Transformation of Agricultural Sector

Background Information

- Population: 1.37 billion
- Population growth rate: 0.5%
- GDP (PPP): USD 19.51 trillion
- GDP per capita: USD 14,300
- GDP growth rate (2015): 6.8%
- GDP composition by sector:
 - Agriculture: 8.9%
 - Industry: 42.7%
 - Services: 48.4%
- Inflation rate: 1.5%
- Growth rate of urbanization: 3.05%

Growing Demand for Sustainable Agricultural Value Chains

- Despite its declining share in GDP, the agricultural industry remains the lifeblood of the country with the livelihoods of approximately 230 million smallholder farming households depending on it.
- As the country's appetite for meat, fish and dairy products continues to grow, there has been an increasing trend towards investment in large-scale industrial farming operations.
- The expansion of industrial farming and the increase in environmental, health and food safety concerns associated with the livestock and agriculture industry are beginning to make experts, consumers and government authorities questions the current approach to food production and consumption.
- The demand for innovate, safe and sustainable agricultural value chains is growing.



Demand for safe and sustainable agricultural value chains is growing

Jilin Province, Changchun & Guojia Village



Jilin Province

Jilin is a key agricultural province in China and sits on one of the world's largest nutrient-rich black soil zones.

One of the top corn producing regions in China, six of the top 10 grain producing counties are located in the province.

- Population of province: 27.46 million
- Capital: Changchun
- GDP per capita: USD 7,760
- Inflation: 2.1%
- Unemployment rate: 3.4%

Changchun

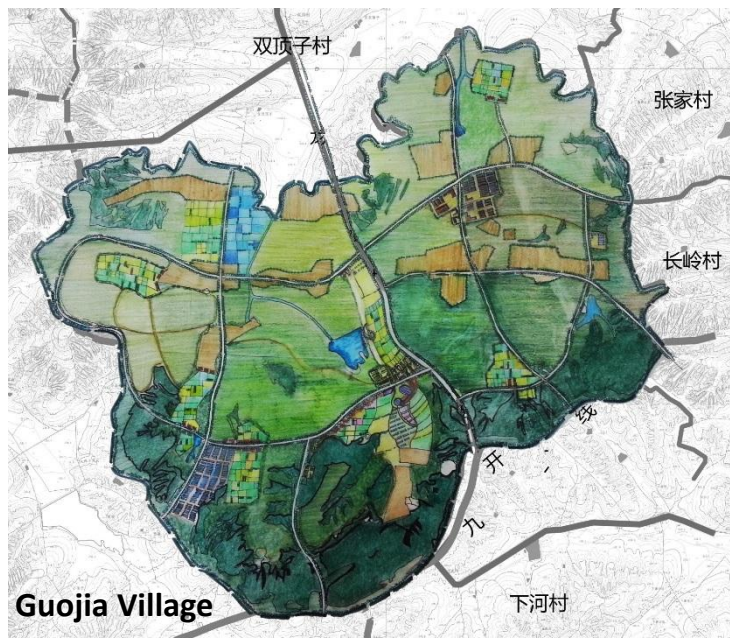
The city is an important industrial base with a particular focus on the automotive and agricultural procession sectors, the latter which accounted for 15.2% of the city's total industrial output in 2012.

- Population: 7.57 million
- GDP per capita: USD 9,045
- Unemployment rate: 3.78%

Guojia Village

Located 60km southeast of Changchun city, Guojia Village is located in Shuangyang District within the Changchun Municipality of Jilin Province. It is the largest administrative village in Jilin Province.

- Land area: 22 sq km, with 920 hectares of arable land
- Number of communities/ residential groups: 18
- Number of households: 1,020





Current Situation & Challenges

Food Industry: Current Challenges & Meeting Future Needs

Population Growth & Food Consumption

- With global population expected to exceed 9.1 billion by 2050, the need for more sustainable food value chains that meet current and future needs is pressing.
- Majority of this population growth is expected to take place in developing countries where growth of the middle class will result in changing dietary habits and an increase in the demand for meat and dairy products.
- If current trends continue, the combination of population growth and richer diets will require us to roughly double the amount of crops we grow by 2050, putting massive strain on our limited resources.

The Need for Innovative & Sustainable Farming Systems

- Modern farming techniques, are often negatively perceived due to their impacts on the environment and people's health, resulting in a growing movement for access to safe, sustainably sourced food.
- The production of foods such as meat and dairy products can also take a toll on natural resources, and lead to land and soil degradation and an increase in greenhouse gas emissions.
- There is an urgent need for effective policies and practices to regulate intensive agricultural and livestock operations and support environmentally and economically sustainable practices and waste management.



Ensuring food safety requires the adoption of more sustainable and environmentally friendly food value chains

From Farm to Table: Food Safety in China

- Food safety in China is a complex issue with challenges across different stages of the supply chain.
- The country's agriculture sector is struggling to keep pace as the environmental consequences worsen and concerns over food safety become a national priority.
- Food safety scandals across the country have given rise to a growing demand amongst consumers for healthy, high-quality and affordable produce.



China's agriculture sector is showing signs of strain as environmental concerns and food safety issues worsen

Yunfeng Cooperative & Shijie Company

The Yunfeng Cooperative and Shijie Company were co-founded by Ms. Li Yunfeng and Mr. Li Shijie in 2009 with a vision to develop Guojia Village into an eco-village with the Natural Farming industry as the driver of growth.

Yunfeng Cooperative

- Founded to organize smallholder farmers in Guojia Village and drive production whilst supporting sustainable rural development.
- Starting with a dozen members in 2009, Yunfeng now comprises over 300 members, which includes 200 producers and 100 consumers.
- The cooperative produces over 180 kinds of produce, including pork, chicken, eggs, vegetables, grains, red wine and enzymes.
- Established with an initial investment of RMB 6.17 million (~USD 940,000)
 - Shijie invested RMB 6 million (~ USD 900,000) for a 30% stake in the cooperative. The remaining capital was invested by smallholder farmers.
- The business processes of Yunfeng, including production management, procurement, sales and technical training are managed by Shijie.

Shijie Company

- Member and shareholder of Yunfeng and was first established to support the operations of the cooperative.
- The company has invested in R&D and localization of the Natural Farming method as well as production facilities to develop Guojia Village into a “Natural Farming Demonstration Base” together with Yunfeng.
- Shijie had a revenue of RMB 26.5 million (~USD 4 million) in 2015.



Natural Farming serving as the driver of sustainable agricultural practices and rural development

The Founders

Ms. Li Yunfeng



- Ms. Li is a self-taught farmer. Witnessing the environmental impact of manure discharge she was motivated to seek a more sustainable farming method.
- After learning about the zero-waste discharge Natural Farming method, she travelled to Korea in 2006 to study Natural Farming under Mr. Cho Han Kyu, the founder of the Janong Natural Farming Institute.
- This visit gave her a firm understanding of the principles and philosophy of Natural Farming as well as circular farming: the integration of livestock and crop production.
- Ms. Li is the Chairwoman Yunfeng and Director of Shijie.

Mr. Li Shijie



- Mr. Li is an animal husbandry expert. He graduated from the People's Liberation Army's Veterinarian University (now part of Jilin University).
- Working with his mentor, Professor Wang Guifu, Mr. Li developed proprietary enzymes that strengthen an animal's immunity and complements the Natural Farming method.
- With his technical background and many years of experience in animal husbandry, Mr. Li is convinced the Natural Farming method is the way forward for agriculture and works with Ms. Li to promote the method.
- Mr. Li is the Chairman of Shijie and Technical Director of Yunfeng.

Natural Farming: A System of Sustainable Circular Farming

Circular farming is the foundation of Natural Farming. In this system, crop and livestock production are integrated into a closed loop self-supporting system which results in zero waste emission.

Microbes

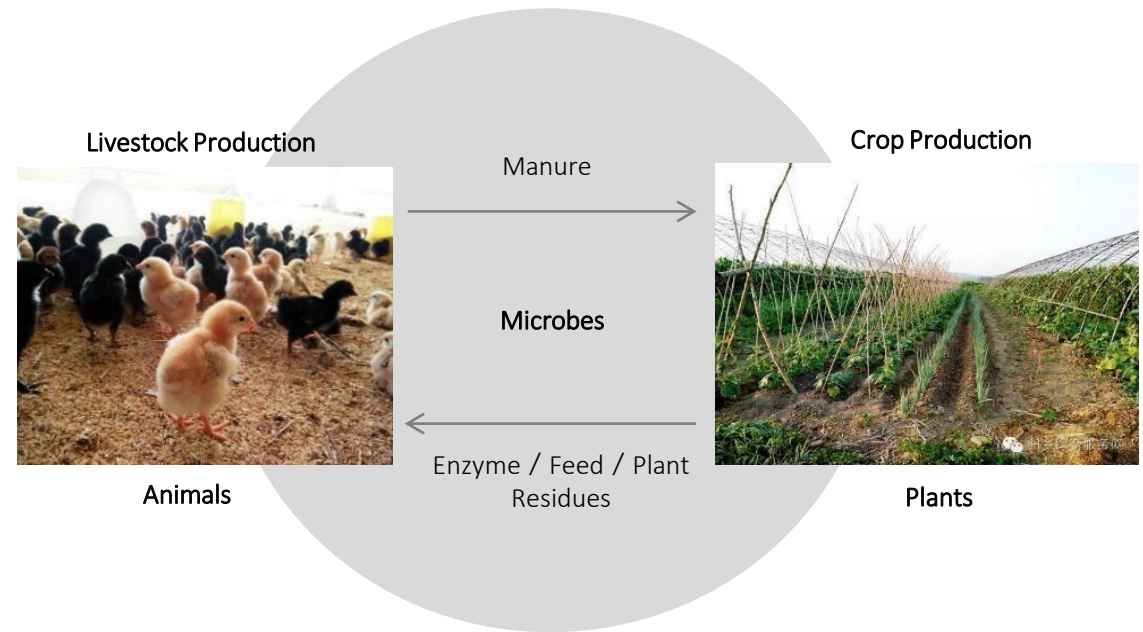
- Within this system, microbes play an essential role in producing nutrients for plants and animals through fermentation, for instance digesting animal waste into compost and synthesizing enzymes.
- Microbes such as the fungi Mycorrhizae used in Natural Farming help crops absorb nutrients more effectively by forming a symbiotic relationship with the plants' roots. This also reduces the susceptibility of crops to diseases.

Indigenous Microorganisms (IMO)

- Natural Farming stresses the importance of cultivating indigenous microorganisms (IMO) from the local environment rather than using commercial microorganisms imported from elsewhere. In addition to being more effective, it is also cost efficient.

Fermentation Bed

- In this system, livestock are raised on fermentation beds made of locally sourced materials such as rice husk, saw dust, corn stalk and soil. Manure is digested directly in the fermentation bed.
- The bedding, which can be used for livestock rearing for up to 5 years, is turned into compost and can be utilised as fertilizer for



crops, with materials replenished as needed.

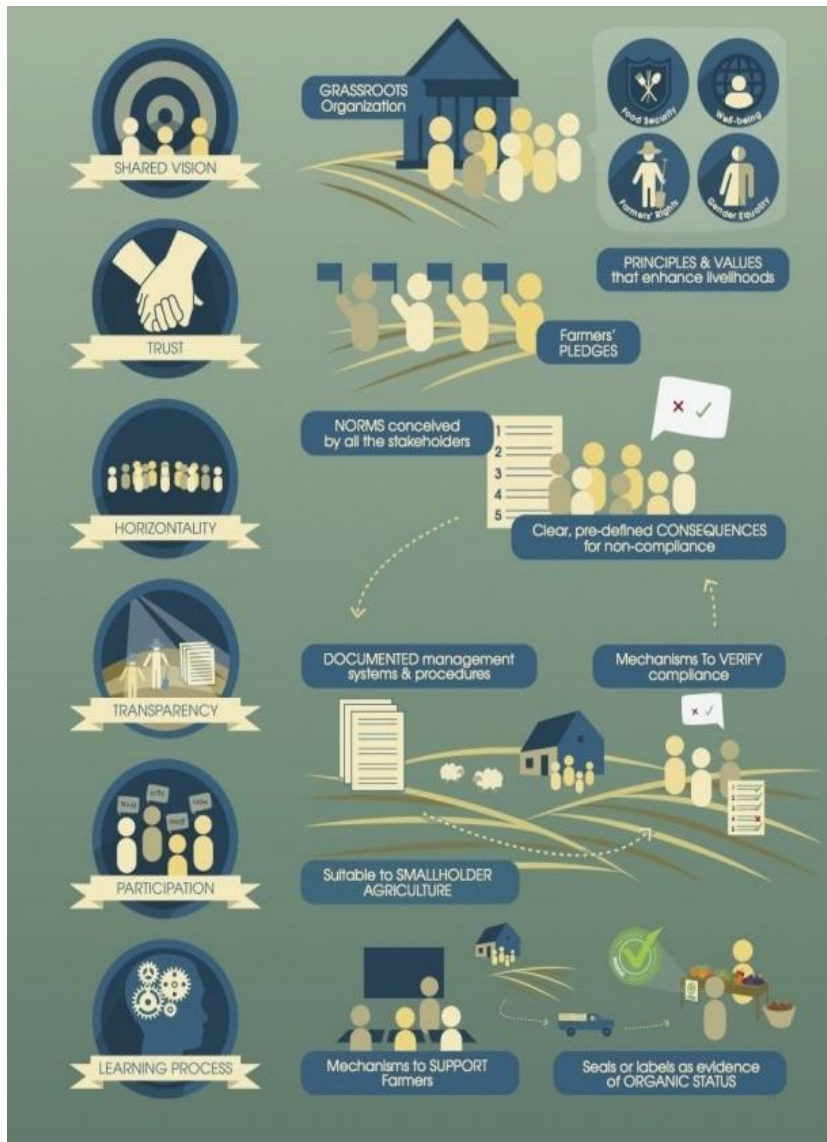
- The fermentation process also produces heat, and eliminates the need for an artificial heating system in the winter. Temperature is controlled by regulating the concentration of microorganisms applied.

Application of Natural Farming in China

The Natural Farming method is suitable for rural China where smallholder farmers are the main producers. This circular system eliminates the need for chemical inputs and reduces overall costs while simultaneously helping farmers to produce safe, good quality produce, leading to an improvement in livelihoods and quality of life.

Natural Farming integrates crop and livestock production in a closed loop, self-supporting, zero-waste emission system

Participatory Guarantee System (PGS)



Participatory Guarantee Systems (PGS) are locally focused quality assurance systems. They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange.

PGS initiatives are serving thousands of small organic farmers and their consumers across the world.

- Low-cost alternative and complementary tool to third-party organic certification and seek to be inclusive in bringing smallholders into an organic system of production.
- Direct participation of farmers, consumers and others stakeholders in the verification process.

The Benefits of PGS include:

- The primarily local and direct market focus of PGS encourages community building and supports local economies.
- Active participation on the part of stakeholders results in greater empowerment and responsibility.
- Encourages consumers to seek out smallholders.
- Enhance the livelihoods and well being of smallholders and promote organic farming.
- Potential to provide extension services for organic agriculture which are currently limited in China.
- Seals or labels provide evidence of organic status.

Source: International Federation of Organic Agriculture Movements (IFOAM)

PGS supporting local economies and direct, transparent relationships

Yunfeng: A Multifunctional Natural Farming Cooperative

Yunfeng uses its deep understanding of the challenges facing smallholder farmers to address needs in both agricultural production and social development by providing a range of production, marketing, technical, financial and social services to its members. It was recognized as a provincial level demonstration cooperative in 2010.

The Model

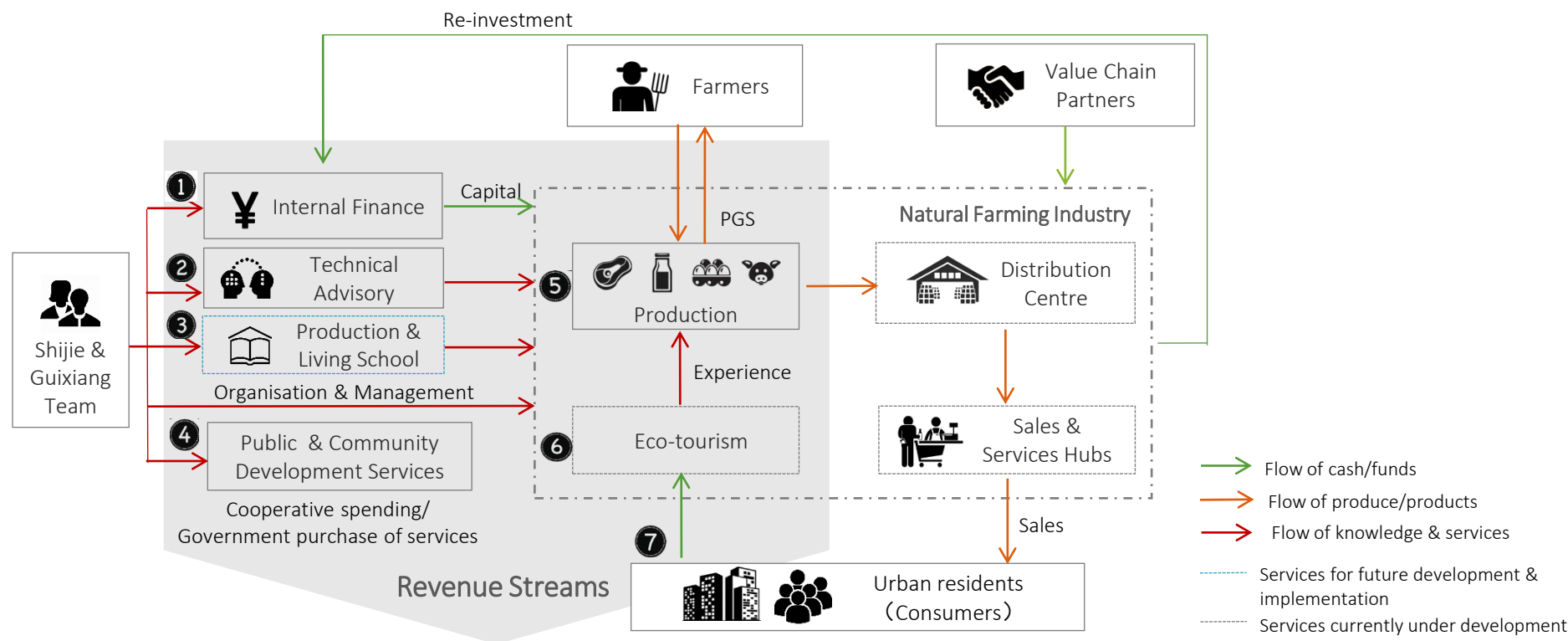
- Local application of Natural Farming technology to promote sustainable agricultural systems and production of high-quality food.
- Services were developed from the bottom-up, and refined over years of practice and experience working in partnership with the grassroots community.
- A core element of the business model is PGS which encourages collaboration between producers, consumers and other players in the value chain.

Yunfeng & Rural Reconstruction PGS (RRPGS)

- By incorporating PGS, Yunfeng's objective is to build an open and mutually supportive community that ensures the supply of high-quality food.
- Producers, consumers, local technical experts and members are trained as farm inspectors as part of the PGS certification.
- To support PGS, Yunfeng organises regular community events and eco-tourism activities to establish urban-rural linkages.



Yunfeng's Business Model

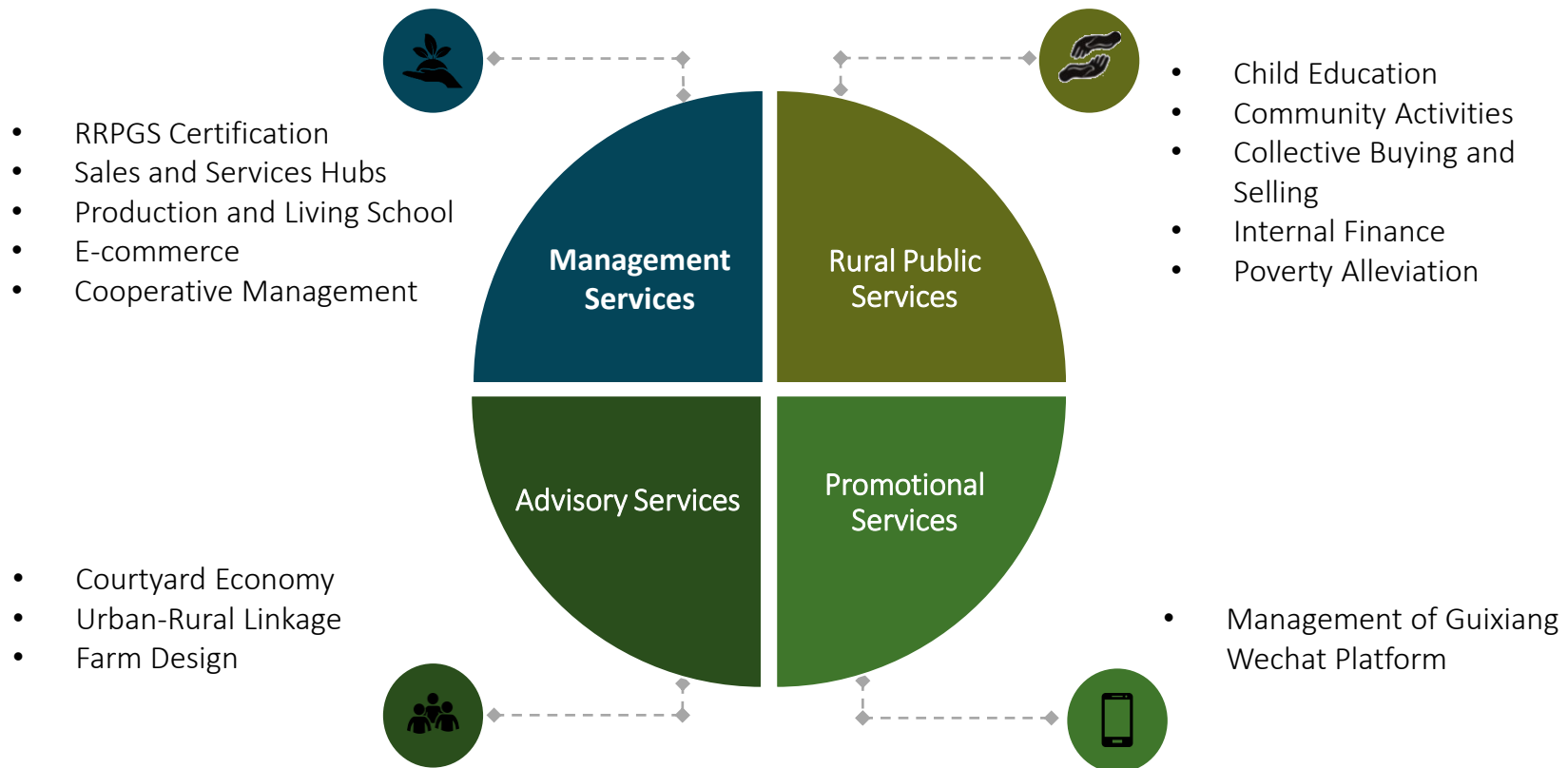


- 1 Internal Finance** – The cooperative raises capital through membership shares and additional investments from members. 30% of its profit are kept as a development fund.
- 2 Technical Advisory Services** – At present, advisory services are offered by Yunfeng together with Guixiang team to cooperative members and external interested parties on an ad hoc basis.
- 3 Production and Living School** – Yunfeng offers courses to teach both local and external participants natural farming techniques. The fees serve as an additional revenue stream for the cooperative. Shijie and Yunfeng plan to further develop the school to formalise Natural Farming training.

- 4 Public Services** – Through government purchase of services, the cooperative can receive additional income for services offered including poverty alleviation and elderly care. The cooperative also channels some of its income to social services to facilitate community development.
- 5 Natural Farming Production** – Natural farming production is a key source of income for the cooperative. At the current scale, the cooperative is generating net profit of RMB 2.02 million annually.
- 6 Eco-tourism** – The cooperative organizes eco-tourism activities to bring urban consumers to the country side. Through these activities, consumers become familiar with the natural farming method.
- 7 Urban Residents** – At present, Yunfeng sells its produce only to urban and rural cooperative members. With the expansion of its sales channels and distribution hubs, the cooperative's will expand its reach to include new customers.

The Guixiang Team

- Since 2010, Yunfeng has worked with university students from Beijing Liang Suming Center for Rural Reconstruction affiliated with Renmin University who come to support production and social development as part of their internship and volunteer work.
- In 2015, Yunfeng began training a team of recent graduates who decided to work with the cooperative to develop social, technical and management services. These graduates comprise the Guixiang team who are instrumental for supporting Yunfeng's operations.
- The cooperative provides the apprenticeship platform for Guixiang to hone their skills and develop their own unique service offerings as part of the Yunfeng multifunctional cooperative model to serve the community.
- They are responsible for providing and facilitating services which include:

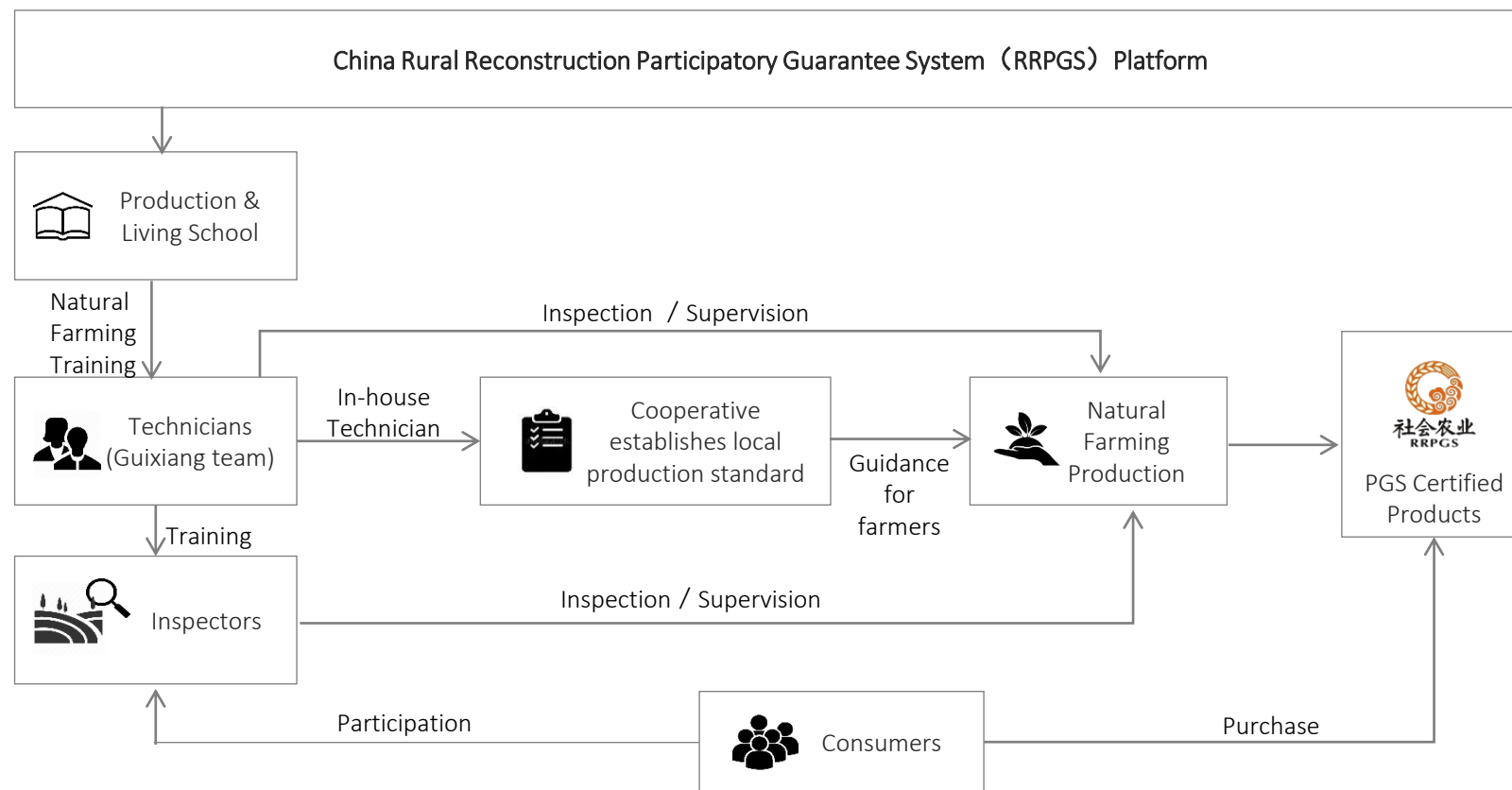


Rural Reconstruction Participatory Guarantee System (RRPGS)

- RRPGS, led by the Rural Reconstruction Center of Renmin University is a consortium of over 300 university student organisations, 250 farmer cooperatives, 250 ecological farms, 50 social organizations and research institutes, forming a social-ecological agriculture service platform that support both rural and ecological development.
- The Yunfeng Cooperative is a committee member of RRPGS. Ms. Li is one of the ecological agriculture technical experts of RRPGS. Through

providing Natural Farming technical training, she is leading other cooperatives to make the transition to sustainable and ecological agriculture.

- RRPGS references the concept and methodology of the Participatory Guarantee System developed by the International Federation of Organic Agriculture Movements (IFOAM).



RRPGS supporting the transition to sustainable ecological agriculture in China

Yunfeng: An Ecological Farming Practitioner

The Yunfeng Cooperative meets the seven internationally recognised principles of a sustainable food system which promotes agricultural practices providing the following key values and services:

Food Sovereignty

Producers and consumers have control over the food chain and determine how food is produced

Benefitting Rural Livelihoods

Provide stable income to smallholder farmers and benefitting rural communities

Smarter Food Production & Yields

Increase yields where they are most needed through ecological means

Biodiversity

Place nature's diversity at its core and take advantage of crop seed diversity, nutrient cycling and soil regeneration

Sustainable Soil Health & Cleaner Water

Improve soil fertility, enhance water retention and prevent land degradation and refrain from chemical fertilizers and inputs

Ecological Pest Protection

Control pest damage and weeds effectively through natural means instead of chemical pesticides

Food Resilience

Diverse and resilient agriculture, not monoculture crops, is the best way to protect communities from shocks from climate and food prices

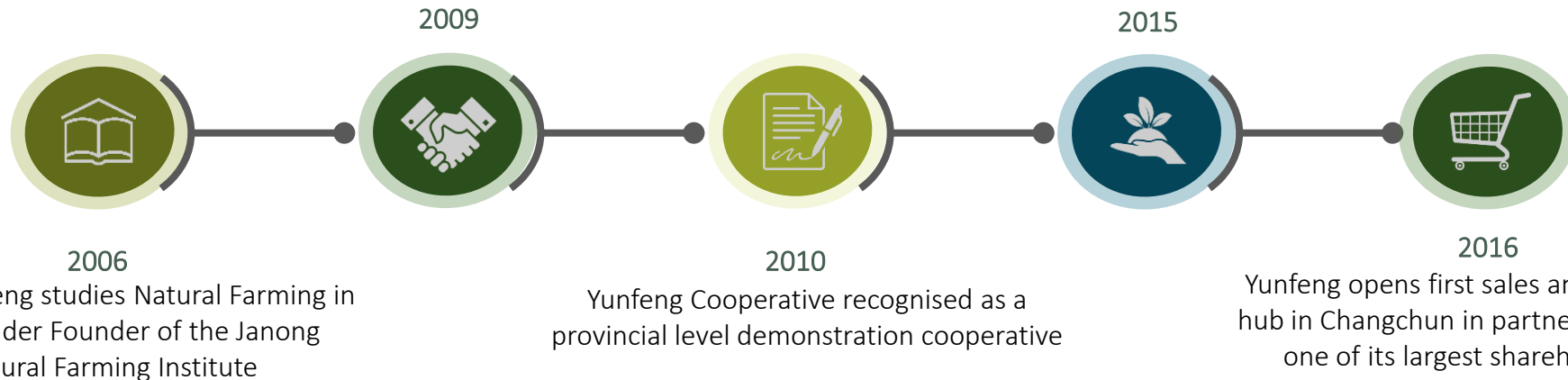


Source: Greenpeace, 2015, [Ecological Farming](#)

Yunfeng and Shijie's Milestones & Development Plan

Ms. Li Yunfeng and Mr. Li Shijie co-found the Shijie Agricultural Technology Development Company and the Yunfeng Farming Cooperative in Guojia Village

Cooperative membership grows to over 300 and production to over 180 kinds of produce/ products



Ms. Li Yunfeng studies Natural Farming in Korea under Founder of the Janong Natural Farming Institute

Yunfeng Cooperative recognised as a provincial level demonstration cooperative

Yunfeng opens first sales and service hub in Changchun in partnership with one of its largest shareholders

Development Plan:

LOCAL LEVEL

- Guojia Village
- Promote Natural Farming to all 18 communities within the village
- Develop Guojia Village into an eco-township with Natural Farming and its associated processing industry and service industry as key drivers for growth

REGIONAL LEVEL

- Northeast & Hebei Province
- Has already trained 300 livestock producers across the region in the Natural Farming method, raising 40,000 pigs in total each year
- Established joint venture in 2015 with investor in Chengde to setup a new farm with Beijing as target market

NATIONAL LEVEL

- Promote Natural Farming by establishing a national Alliance of cooperatives and other food producers across China.
- Work in partnership with Rural Reconstruction Centre of Beijing Renmin University to implement RPPGS among producers.
- Develop online service platform to manage the operations of Shijie, Yunfeng and the Alliance.





Business Model & Strategy



Summary



The proposed business plan supports Shijie's vision of establishing a national Natural Farming Alliance thereby laying the groundwork for the expansion of a healthier and more sustainable approach to food production and rural development in China.

- The recommended business model describes the membership and services of the Alliance which will comprise a network of cooperatives, food producers and others across the agricultural value chain.
- Yunfeng's "Multifunctional Natural Farming Cooperative" Model will serve as the benchmark across the Alliance.
- PGS is an integral component of the Alliance and will be leveraged to build a mutually supportive system that ensures a foundation of trust between producers and consumers.
- Key stakeholders in the Alliance include:
 - Shijie Company will manage the Alliance and has an interest in promoting Natural Farming across China through the replication of the Yunfeng model.
 - Producer Members who are interested in transitioning to sustainable agricultural practices.
 - Value Chain Partners with an interest in impacting and supporting the agricultural sector and gaining access to new customers.
 - Guixiang Team who are instrumental to promoting the Natural Farming practice and services to support rural revitalisation.
- Via the Alliance, Shijie will lead the process of successfully promoting Natural Farming on a national level.

Rationale for Proposed Business Model



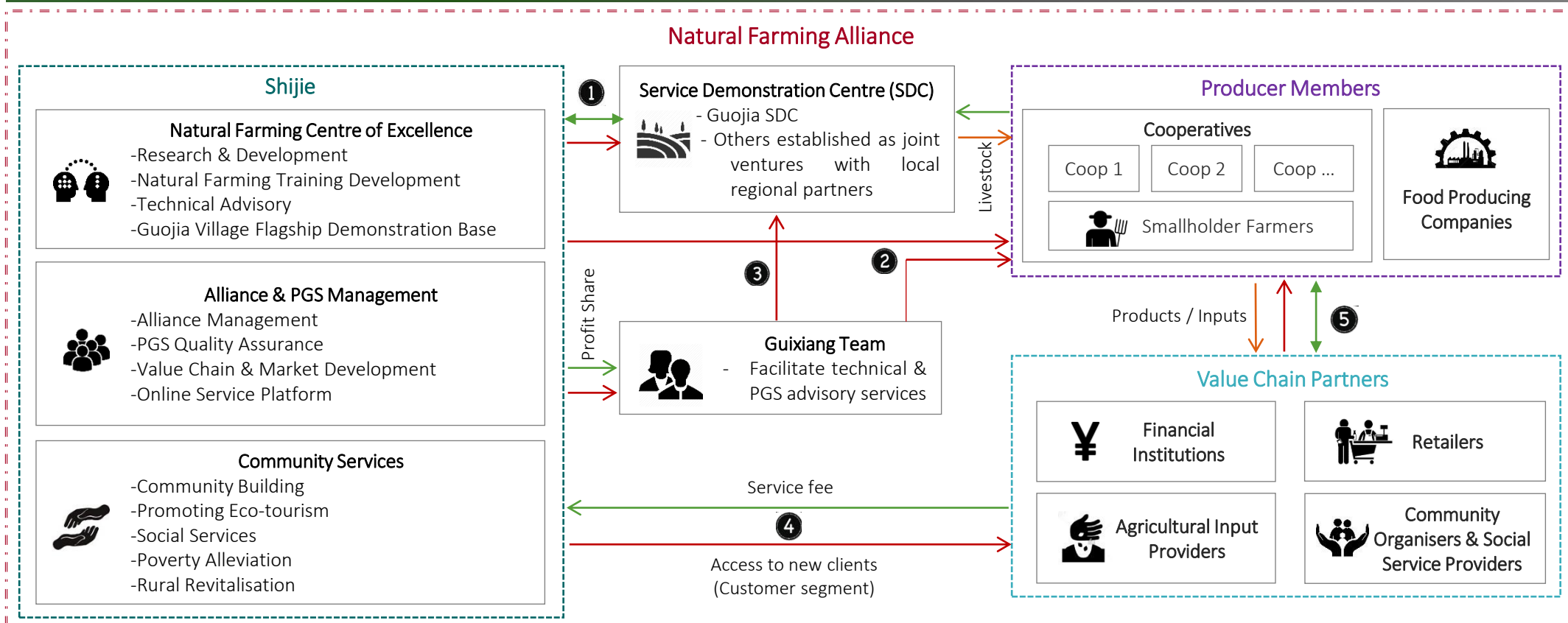
- Significant growth potential and demand for sustainable agricultural practices and the production of safe and high-quality produce in China presents an opportunity for Shijie to lead the process of successfully promoting Natural Farming by establishing a national Natural Farming Alliance.
- Strong interest and support from government, value chain partners, cooperatives and consumers presenting numerous opportunities for collaboration and growth of the Alliance membership base.
- Drawing on the success of the Yunfeng cooperative in Guojia Village which will serve as the model to be replicated in communities across China.

The Natural Farming Alliance

- Bring together and establish a network of producer members, food producing companies, value chain partners and others in the agricultural value chain.
- A **Flagship Production and Living School** to be established in Guojia Village will play a crucial role in cultivating Natural Farming and rural development talents and support the development of Service Demonstration Centres and other Production and Living Schools across China to be set up in partnership with Alliance members.
- Support knowledge sharing, provision of services and product integration to facilitate the expansion of the Natural Farming practice.
- Use PGS to instill trust between service providers, producers and customers to build a mutually supportive and beneficial network.
- Build a recognised and trusted brand collectively as an Alliance.
- Support social development and rural revitalisation.

Shijie and the Alliance will effectively drive the application of Natural Farming in China

Proposed Business Model



- Flow of cash/funds
- Flow of produce/products
- Flow of knowledge & services

- 1 Alliance & Service Demonstration Centre (SDC)** – Shijie to manage the Alliance and Guojia SDC with support from Yunfeng Cooperative. Shijie will support other SDCs by forming JVs with local partners. SDC includes a Production and Living School for Natural Farming training and provides supporting services to local communities.
- 2 Technical Advisory Services** – Provides Natural Farming & PGS advisory services to producer members. Services can be delivered via Guixiang team.
- 3 Guixiang & Service Demonstration Centre (SDC)** – Local Guixiang to support the operations of local SDC, including the delivery of social and community services. To receive share from Shijie’s 20% stake.

- 4 Value Chain Partnerships** – Shijie links value chain partners with producer members. Shijie to receive service fee for transactions. Shijie can also work with value chain partners to develop new products and services for producer members.
- 5 Producer Member-Value Chain Partner Relationship** – Mutually beneficial relationship established via Alliance membership to facilitate provision of products and services.
- 6 External Entities** – Certain services provided by Shijie are available to non-Alliance members on a fee-for-service basis.



Key Alliance Stakeholders & Interests

Shijie Company

- Promote Natural Farming practice and provide technical advisory and PGS consulting services to Alliance members and external entities
- Establish quality standard and business model for other cooperatives
- Develop Guojia Village into a Flagship Natural Farming Demonstration Base

Producer Members – Cooperatives

- Support cooperative members to transition to Natural Farming practices by providing training technical support
- Seek to improve member incomes and livelihoods
- Provide access to value chain partners, food producing companies & agricultural experts
- Provision of social and community building services

Producer Members – Companies

- Food producing companies interested in getting involved in Natural Farming movement
- Supporting production of safe and healthy food using sustainable agricultural practices
- Access to a wider base of customers to generate higher revenues

Value Chain Partners

- Desire to impact and support the Agricultural sector and play an active role in the transition to sustainable agricultural practices
- Access to reliable and safe products from Alliance Producer members
- Access to a wider base of customers, supporting higher revenues

Guixiang Team

- Guixiang to provide PGS and technical advisory services for new Alliance members
- To play an active role in the expansion of Natural Farming technology and reap fair economic benefits from services provided
- Develop services to support community development

Smallholder Farmers

- End beneficiaries of services and Natural Farming training, farmers are at the core of the development and implementation of the practice
- Increase in quality of product support farmer livelihoods
- Access to strategic partners such as financial institutions, retailers and agricultural input providers

Local Government

- Desire to support efforts to improve agricultural practices in their local communities and region
- Make positive impact on the local community both socially and economically

Opportunity for partners and members to contribute to a sustainable approach to food production via a scalable social business

Key Revenue Streams

Service	Description	Estimated Revenue (RMB, Y+5)
Technology Startup Fee *Only applicable for the Producer Members who are setting up a local Service Demonstration Centre	<ul style="list-style-type: none"> One time Technology Startup Fee of RMB 200,000 which covers Natural Farming technology transfer and training of 2 trainers and 2 technicians Shijie in exchange will support the development of a local Service Demonstration Centre and a local Production and Living School To qualify as Alliance Founding Member. The first 47 (capped) founding members will earn 1% share in Shijie. 	3,400,000 (17 new Service Demonstration Centres)
Production & Living Schools	<ul style="list-style-type: none"> Revenue from Guojia Village and local Production & Living Schools 	11,458,008
Advisory Service Charge	<ul style="list-style-type: none"> Natural Farming advisory services 	3,450,000
Service Fee from Value Chain Partners	<ul style="list-style-type: none"> Service fee from transactions 	2,450,000
Eco-tourism Fees	<ul style="list-style-type: none"> Fixed fee per trip for one day and over night visits to Guojia Flagship demonstration base 	1,761,782
Distribution of products	<ul style="list-style-type: none"> Distribution of Yunfeng's products Supply members with ecological farming inputs Distribution of members' products through the Alliance platform (Shijie receives 4% of net profit) 	35,838,400

Engaging a range of members and partners across the value chain to drive Natural Farming awareness



Introducing “Shihe”: The Global Harmony Natural Farming Alliance

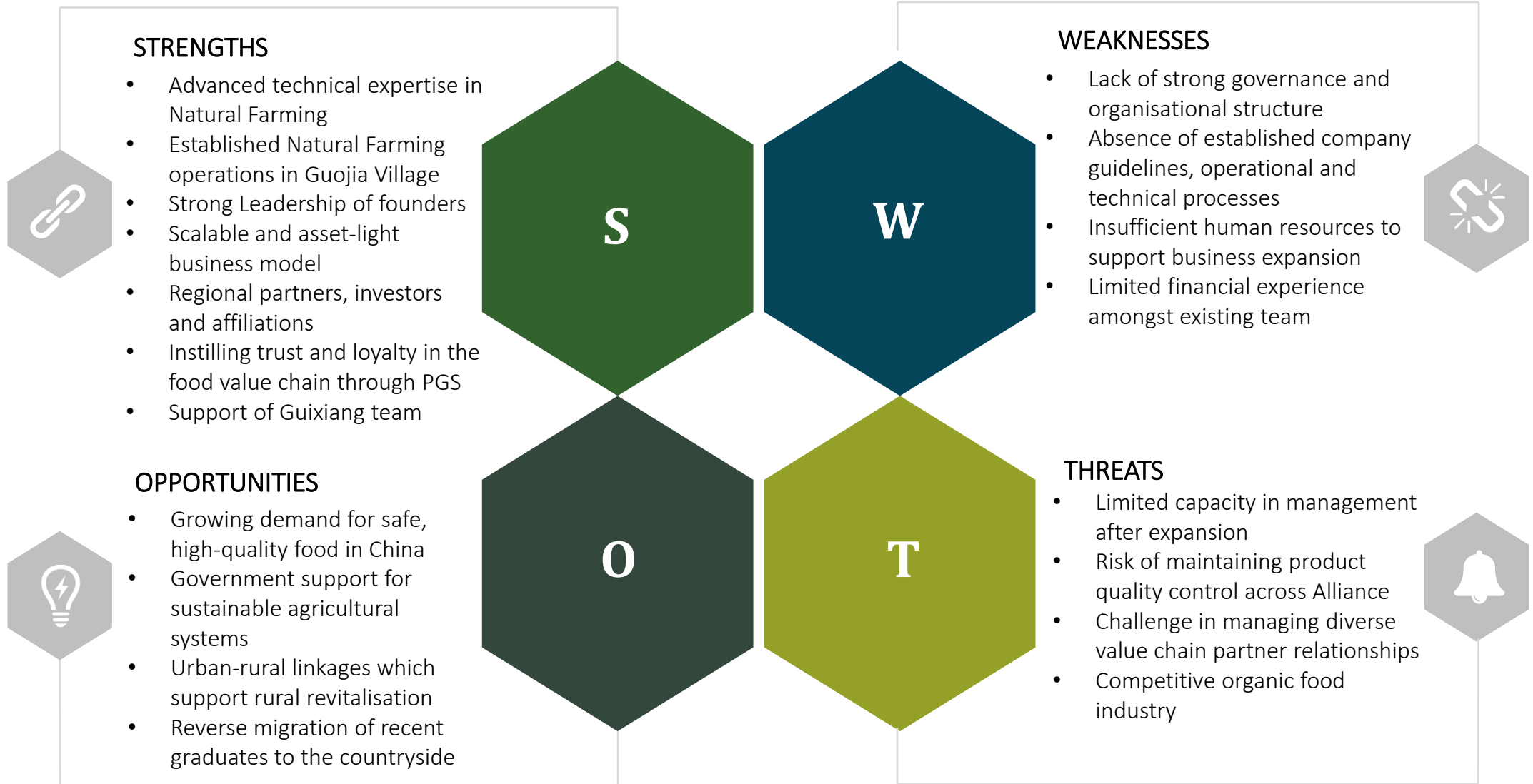


世和自然农业联盟

Bringing the agricultural community together to provide:

- ✓ Safe and high-quality products
- ✓ A low cost, locally based system of quality assurance
- ✓ Direct participation of consumers and partners in verification process
- ✓ Social value created through supporting smallholder farmer' livelihoods
- ✓ Promotion of socio-ecological agricultural practices which supports both rural and ecological development

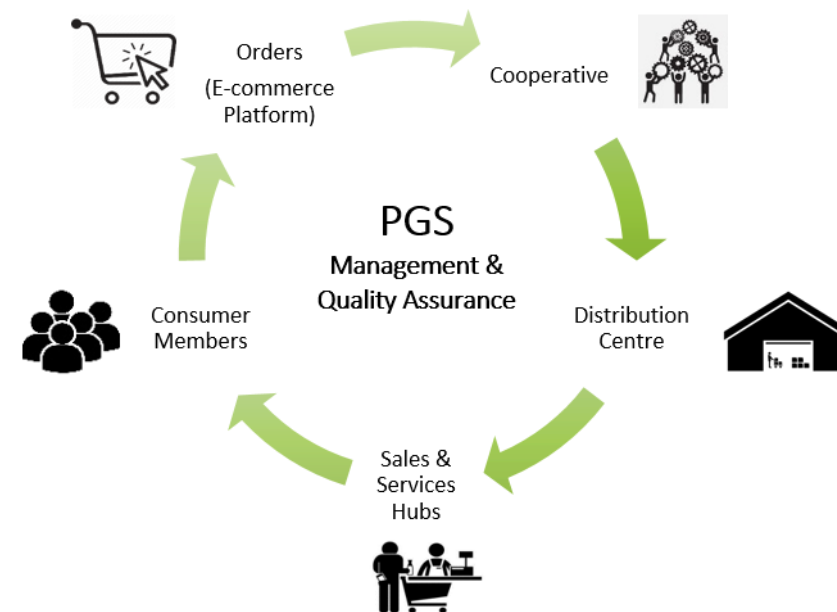
SWOT Analysis for the Natural Farming Alliance



Opportunities as well as key threats related to the need for the establishment of a Natural Farming Alliance

Replicating the Yunfeng Model

- Replication of the Yunfeng model at new Alliance producer member sites involves the establishment of a Service Demonstration Centre and Production and Living School to train and support local farmers. Shijie will train local trainers and technicians to establish these centres.
- Guixiang team will provide technical support to Alliance members and facilitate the implementation of PGS to assure the quality of products.
- Alliance members will work with their local partners to setup sales and services hubs to facilitate sales and strengthen urban-rural ties.
- In addition, setting up an urban Service Demonstration Centres shall bring more awareness to the general public about natural farming and therefore attracting more members and strengthen the PGS.



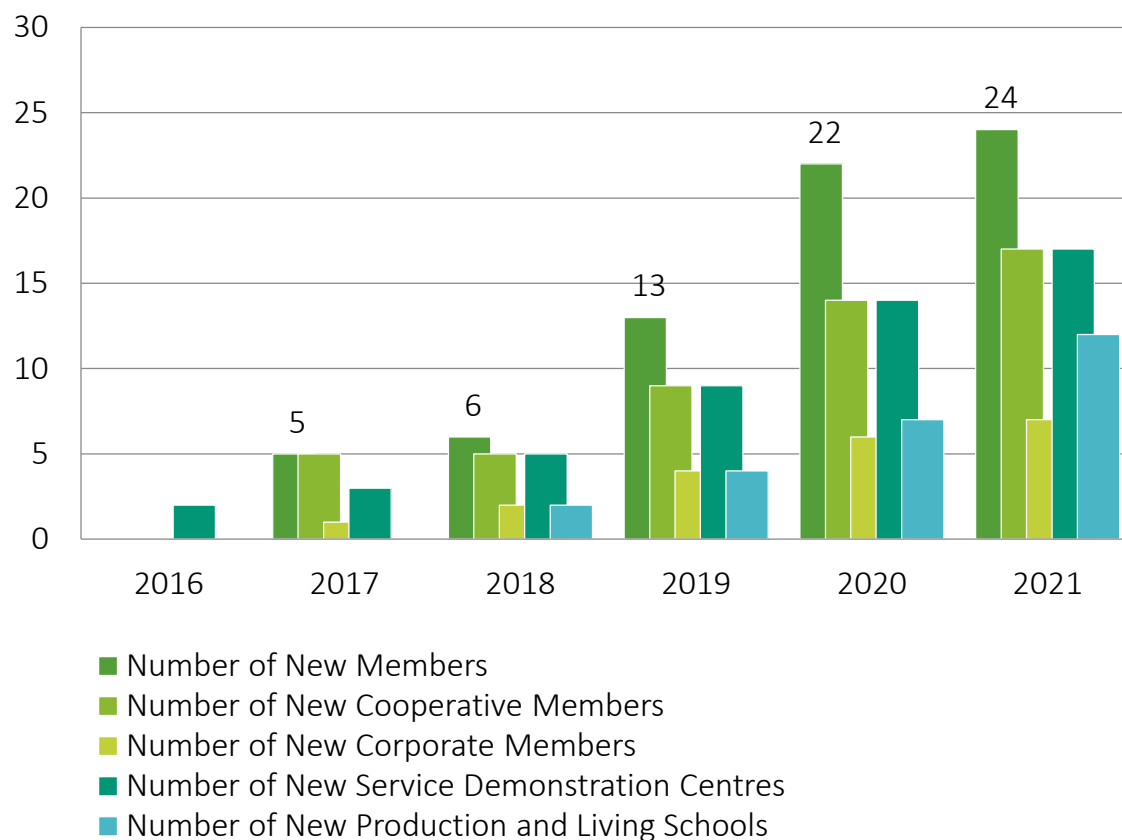
Rural Service Demonstration Centre (centralised circular crop-livestock system linking with distributed smallholder farmers)



Urban Service Demonstration Centre (Distribution, Sales & Services Hub and Natural Farming Demonstration)

Growth Of Alliance Membership & Demonstration Centres

New Membership and Service & Demonstration Centres



Projection of the growth of the Alliance by 2021:

- 70 Producer Members
 - 50 Cooperatives
 - 20 Companies
- 50 local Service Demonstration Centres
- 26 Production Living Schools

Trained

- 400 Natural Farming trainers
- 25,172 Technicians
- 121,532 Smallholder farmers

Alliance to grow to a total of 70 members by 2021





Alliance Member Services

Summary

An Overview of Alliance Services

Shijie will manage the Alliance and provide the following core services of the Alliance to members:

Natural Farming Centre of Excellence R&D and Technology Transfer

- To set up a Natural Farming Centre of Excellence in Guojia Village and upgrade the operation of Yunfeng Cooperative into a Flagship Demonstration Base.
- The core functions of the Centre of Excellence include R&D and technology transfer.
- Support producer members to setup local Service Demonstration Centres and Production and Living Schools.

Alliance & PGS Management Management and Operational Support

- Provide management and operational support to alliance members, including integrating resources across the value chain to strengthen the Natural Farming ecosystem.
- Facilitate the implementation of PGS.

Community Services Community Development and Social Services

- Work with local partners to build communities and create greater awareness of natural farming and healthy food among consumers.
- Promote eco-tourism to connect urban and rural communities.
- Develop social services models for rural communities.



Services Delivered by Shijie: Natural Farming Centre of Excellence (1/2)



Research & Development

Development of sustainable Natural Farming solutions which are applicable and affordable for rural smallholder farmers.

Key focus areas will include:

- The crop-livestock circular farming system
- Plant and animal nutrition
- Fermentation bed technology
- Application and utilisation of agricultural by-products
- Soil improvement technology



Natural Farming Training Programme Development

- Development of localized curriculum for Production and Living Schools at Guojia Village and other locations.
- Conduct trainers training at Guojia Production and Living School.
- Natural Farming curriculum covers the following topics: Natural Farming Principles and Application, Livestock Fermentation Bed Design and Management, Nutrient Synthesizing and Application, Natural Farming Compost and Circular Farming, Designing Ecological Farms, Cooperative Management.
- Support the development of local Service Demonstration Centres and Production and Living Schools.



Supporting Alliance members to make the transition to ecological farming and improve community well-being



Services Delivered by Shijie: Natural Farming Centre of Excellence (2/2)



Livestock Housing



Guojia Village Flagship Demonstration Base

Support the development of Guojia Village into a Flagship Natural Farming Demonstration Base in partnership with the Yunfeng Cooperative.

It will serve as the model for other cooperatives and as a hands-on Natural Farming training facility for Alliance members. The base will also be open to the public for eco-tourism activities.

The Flagship model will showcase:

- A production scale farm demonstrating crop-livestock circular farming system
- Livestock fermentation bed technology
- Smallholder Natural Farming
- A successful PGS model with strong community engagement
- A Production and Living School promoting Natural Farming and sustainable living



Technical Advisory

- Provide technical advisory services for producer members which can include on-site advisory services, as needed.

Training and technical advisory services are integral for promoting the transfer of Natural Farming technology

Services Delivered by Shijie: Alliance & PGS Management (1/2)



Alliance Management

- Serve as the secretariat of the Alliance
- Manage Alliance membership
- Coordinate the activities of Alliance members across China



PGS Quality Assurance

- Work in collaboration with producer members to develop and support the implementation of local production standards and provide training for PGS implementation.
- Coordinate with local Guixiang technicians to supervise production and conduct regular inspections to ensure quality standards are met.
- Manage and organize eco-tourism activities and cross-inspection amongst Alliance members.
- Perform impromptu farm inspections and provide advisory services as needed.



Value Chain and Market Development

- Supply producer members with farming inputs including enzymes and fermentation bed materials.
- Provide linkages between producer members and key service providers (value chain partners). For example, access to feed processing factories such as Yunfeng's partnership with the Jilin New Fangyuan Livestock Technology Company.
- Develop market linkages among members within the Alliance.



Services Delivered by Shijie: Alliance & PGS Management (2/2)

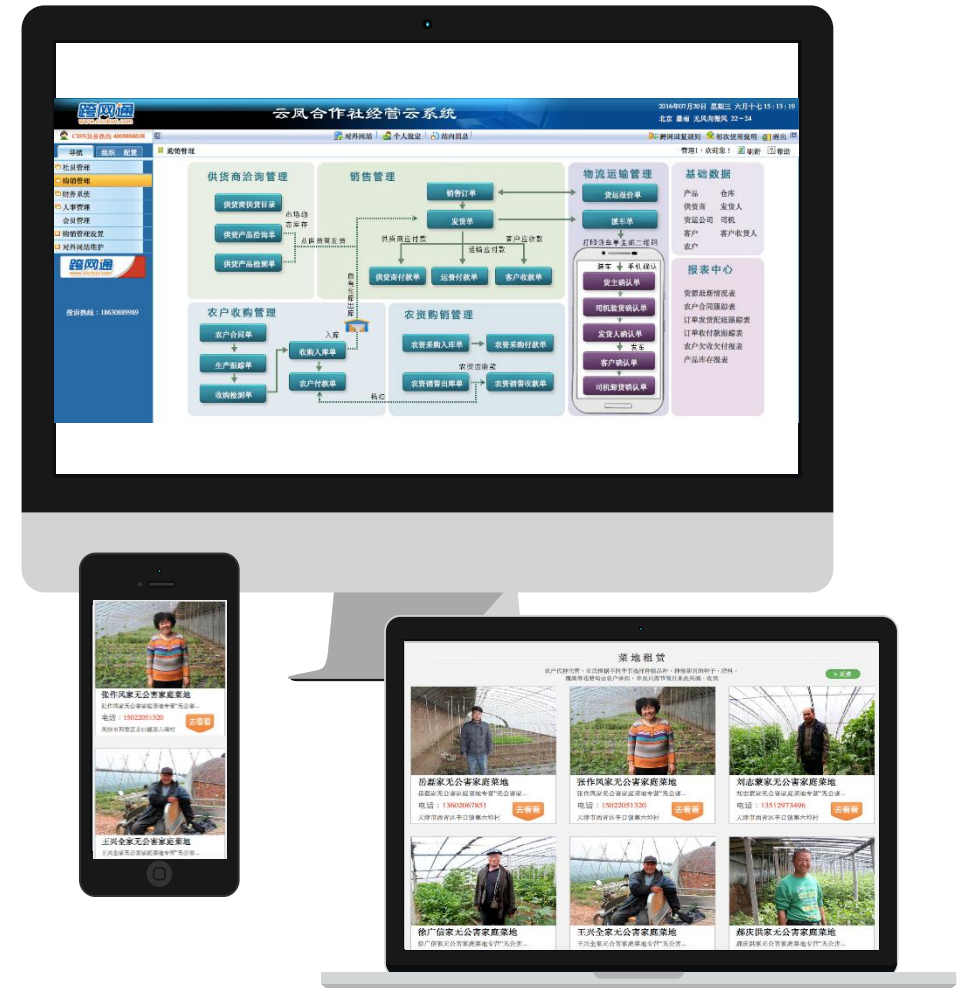


Online Service Platform

- The online platform will serve as an integral tool for the management of the Alliance and its activities. These will include:
- Support the connection of consumer and producer members.
- Facilitate the integration and exchange of services and production amongst Alliance members.

The platform will additionally function as a management system for member cooperatives to seamlessly manage their operations and services. Some of its functionalities include:

- Order fulfillment
- Production planning and coordination with farmers
- Product traceability
- Management of PGS inspection and certification process
- Disclosure of farm information
- Management of sales & service hubs and direct-to-customer sales in cities
- Coordination of Natural Farming training and activities
- Facilitate access to financial services



Screenshots of a cooperative management system developed by Town and Talent Co.

Management and operational support will ensure the sustainable growth of the Alliance and PGS Management platform



Services Delivered by Shijie: Community Services (1/2)

The following Community Services will be delivered with the support of the local Guixiang team.



Community Building

Coordinate with local community centres in cities to facilitate community building activities and exchange between urban consumers/ members and Alliance producer members.

- An established example of this relationship is the partnership between the Jilin Real Estate Chamber of Commerce's 'BOYO Multi-generational Centres' in Changchun and the Yunfeng Cooperative. The Chamber organises and links urban consumers with the cooperative to facilitate the sales of produce, eco-tourism activities, and urban-rural cultural exchange. This model can be replicated across other residential communities



Promoting Eco-Tourism

- Work with value chain partners to promote and facilitate eco-tourism activities which will bring urban members and consumers to the countryside.
- Eco-tourism activities support PGS and helps build a foundation of trust, social networks and knowledge exchange around the Natural Farming practice. This in turn is conducive to the growth of Alliance member cooperatives



Social Services

- Work with Community Organisers & Social Service Providers to develop models and training services to help cooperative members deliver beneficial services, such as elderly care and child education, for their communities.



Services Delivered by Shijie: Community Services (2/2)



Poverty Alleviation

In partnership with the local government, Yunfeng piloted a “Precisely-targeted Poverty Alleviation Programme” which is linked to livestock and crop production.

- The local government poverty alleviation loan is channeled into livestock and crop production. A portion of the profits generated is allocated to the identified and targeted poor households.
- This self-sustaining system is viable over the long-term and can serve as a model to be replicated in other cooperatives.



Rural Area Revitalization

- Support Alliance producer members to promote Natural Farming practice to smallholder farmers in their communities thereby supporting small-scale farming and providing opportunities for farmers in rural China. For example, provide access to financial services via Alliance value chain partners.
- Natural Farming and PGS function as rural development tools and as instruments to help farmers to improve their systems. Restoration of the rural ecosystem will support economic development leading to improved quality of life.

Developing community building activities and a de-centralized model for the provision of social services

Alliance Fee Structure

Alliance fee structure and service charges will be administered by Shijie and will differentiate between Producer Member and Value Chain Partners.

*Only applicable to the Producer Members (Cooperatives and Food Producing Companies).

Fee Type	Amount	Remarks
Technology Startup Fee (one time)*	RMB 200,000	<ul style="list-style-type: none"> One time Technology Startup Fee of RMB 200,000 which covers Natural Farming technology transfer and training of 2 trainers and 2 technicians Shijie in exchange will support the development of a local Service Demonstration Centre and a local Production and Living School To qualify as Alliance Founding Member. The first 47 (capped) founding members will earn 1% share in Shijie.
Production and Living School Courses	Natural Farming Trainer RMB 20,000 Natural Farming Technician RMB 5000 Farmer RMB 100	<ul style="list-style-type: none"> Cooperatives or companies are required to take a course for Natural Farming Trainer or Natural Farming Technician to join the Alliance
Natural Farming Advisory	Onsite RMB 20,000 Remote RMB 5,000	<ul style="list-style-type: none"> Support member cooperatives, companies or small producers who have taken the natural farming courses on production These services are also available to non-alliance members

Shijie and Alliance to offer competitively priced services to ensure sustainable and steady growth of membership base



Governance & Organisational Management

Summary



The proposed mandate of Shijie is to establish a national Alliance while ensuring the social mandate and commercial viability of the company is maintained and accounted for.

Governance & Management

- In order to align interests, ensure operational excellence and facilitate transparent decision making of Shijie it is proposed that the Shijie founders and the Alliance founding members (47) be joint shareholders in the company.
- Shijie will be run by a core management and operational team and governed by a Board of Directors.

Shijie's Profit Allocation Structure

- Shijie will implement a profit allocation model that balances shareholder return, participation and social development.
- As the social mandate of the business and ethos driving the founders vision is in large part to drive social change and development, a percentage of profits will be allocated towards developing the Guojia Village Flagship Demonstration Base and the provision of services that benefit and support social change and impact in the local community.

Shareholding of Local Joint Venture Service Demonstration Centres

- Shijie will form a joint venture with producer members to establish local Service Demonstration Centres.
- The local Guixiang Team will lead the implementation process of the respective Service Demonstration Centres and receive 80% profit sharing from Shijie's 20% stake in the centres.

Why Good Governance Matters

What is corporate governance?

- Corporate governance is driven by principles such as conducting business with integrity, fairness and transparency and making all the necessary disclosures so as to protect the interest of all stakeholders.
- Organisations, both public and private, should comply with all the laws of the land, be accountable and responsible towards stakeholders, and commit to conducting business in an ethical manner. They should focus on balancing shareholder interests with those of other key stakeholder groups, including customers, communities and partners.
- Governance mechanisms include the monitoring of the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders.

Why does Shijie need corporate governance?

- As an intended recipient of investment and funding, mechanisms need to be in place to deliver accurate and transparent information on where funds are being directed and what social impact is created.
- Strong corporate governance is essential to increase the accountability and the transparency of Shijie thereby protecting the interests of investors, members and value chain partners and ensuring the objectives of the company are met through well-established legal norms.
- Good governance will positively influence the reputation of Shijie and can mitigate the risks associated with managing funds and working with multiple partners.



Proposed Governance Framework

Governance plays an important role in establishing business direction and control of a company. In Shijie, the following governance framework is proposed to ensure smooth business management and operations.

Objectives

- To administer plans set out for the company to be carried out in most effective manner.
- To manage the funds invested for long term growth at minimum level of risk. The Company remains financially sound.
- To meet the objectives and expectations of key stakeholders, partners and members.
- Company works at high level of professionalism both internally and externally.

Principles

- Compliance with all national laws relevant to the business.
- Fulfilling social obligations, including commitment towards partners and stakeholders, commitment towards the community, product safety.
- Advocates management and finance transparency, accountability and disclosure.
- Safeguarding interest of organisation and various stakeholders.
- A guide against unethical practices.

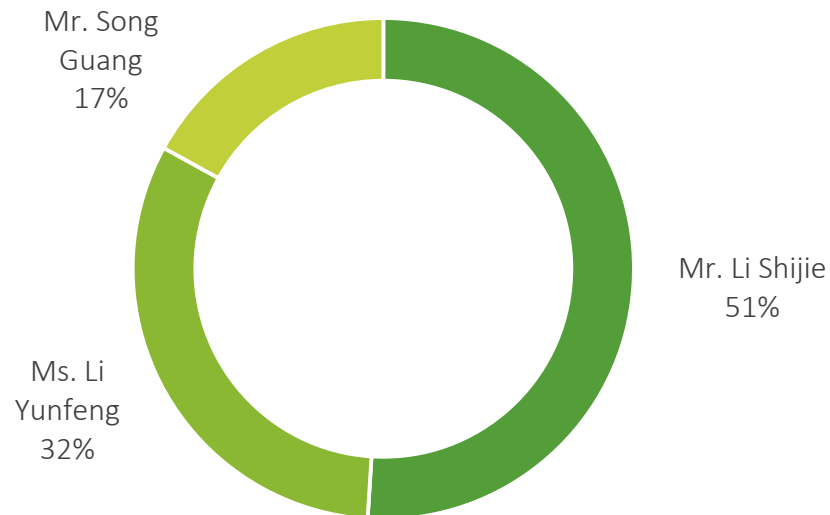


Imperative for emphasis on good governance as members are invited to invest and share in Shijie ownership

Proposed Shareholding Structure

In order to align interests, ensure operational excellence and facilitate transparent decision making of Shijie, the Shijie founders and the Alliance founding members (47) will be joint shareholders in the company.

Current Shareholding Structure of Shijie



Proposed Shareholding Structure of Shijie

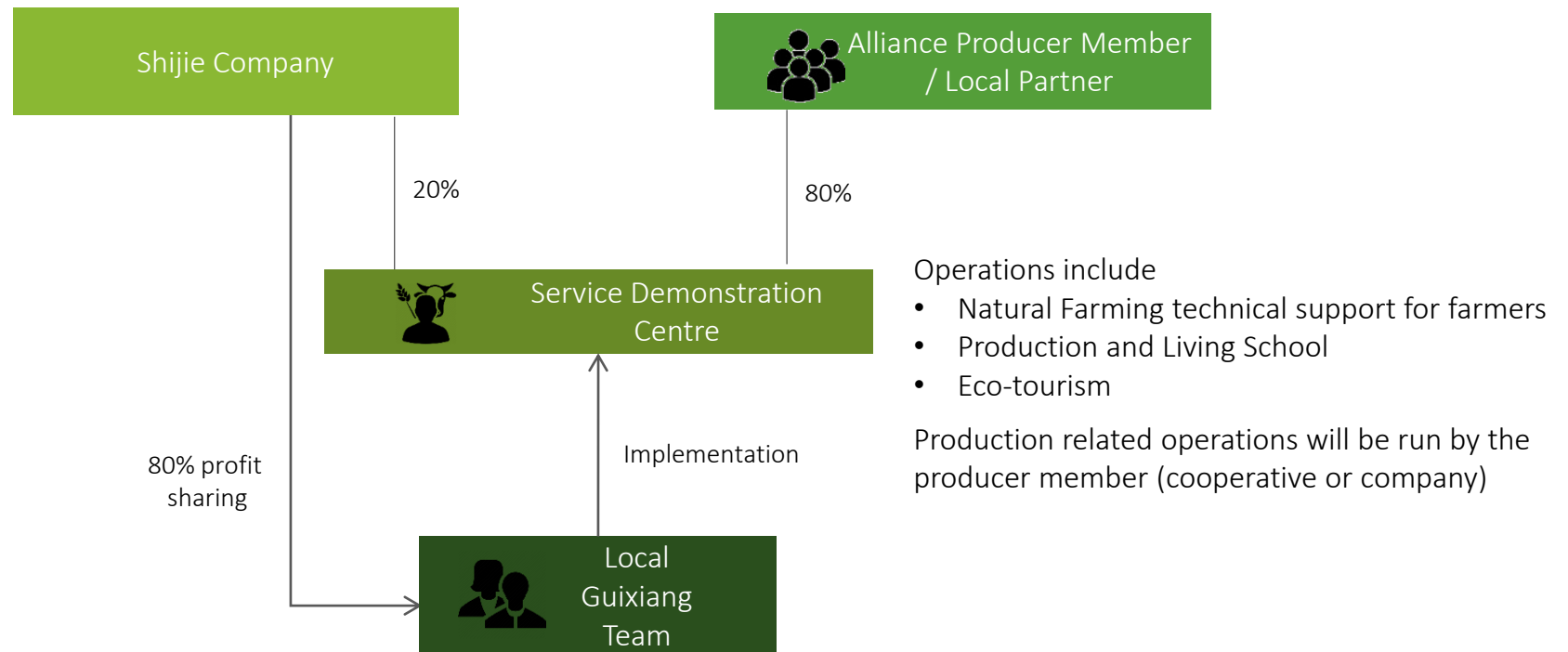


- Ownership of Shijie is currently shared between the co-founders, Mr. Li and Ms. Li and Mr. Song.
- Shijie will have 50 shareholders, comprising of the 3 Shijie founders (Mr. Li Shijie, Ms. Li Yunfeng, Mr. Song Guang) and 47 Alliance founding members.
- Each founding member has 1% share in Shijie.
- Equity investor shareholding to be determined.

Transition into a participative shareholding structure by giving founding members stake in Shijie

Proposed Shareholding of Local Joint Venture Service Demonstration Centre

Shareholding of Local JV Service Demonstration Centre

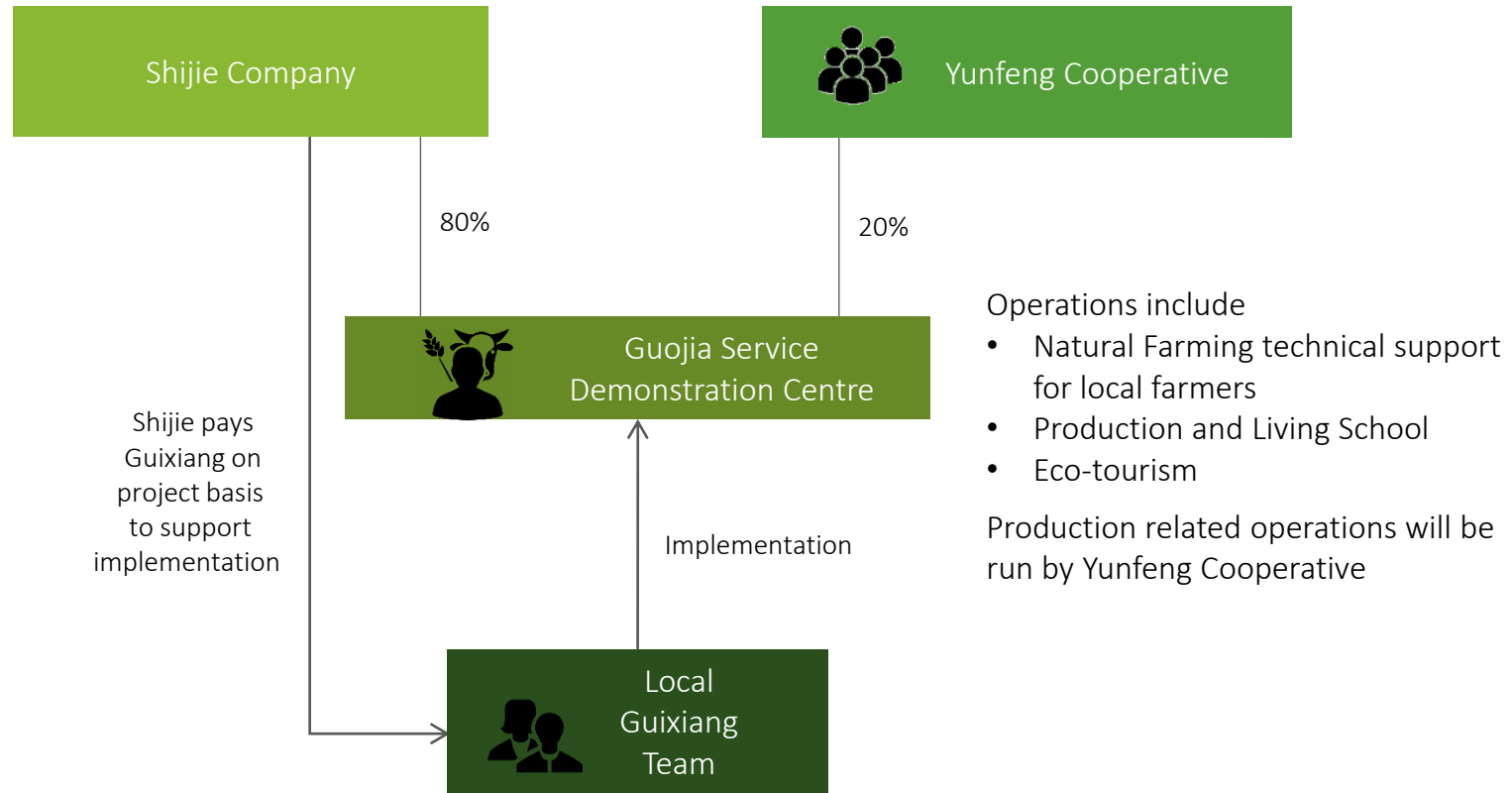


- Shijie will form a joint venture with Alliance producer members to establish a network of local Service Demonstration Centres.
- Shijie will provide the technical know-how to develop technical support services for farmers.
- Target is to establish 50 JV Service Demonstration Centres in China in 5 years.
- Local Guixiang Team will lead the implementation of the respective Service Demonstration Centres and receive 80% profit sharing from Shijie's 20% stake.
- Service Demonstration Centre will start a Production and Living School when there is sufficient demand in the local community.

JV Service Demonstration Centre driving promotion of Natural Farming in local community

Proposed Profit Sharing of Guojia Service Demonstration Centre with Yunfeng

Profit Sharing Structure of Guojia Service Demonstration Centre

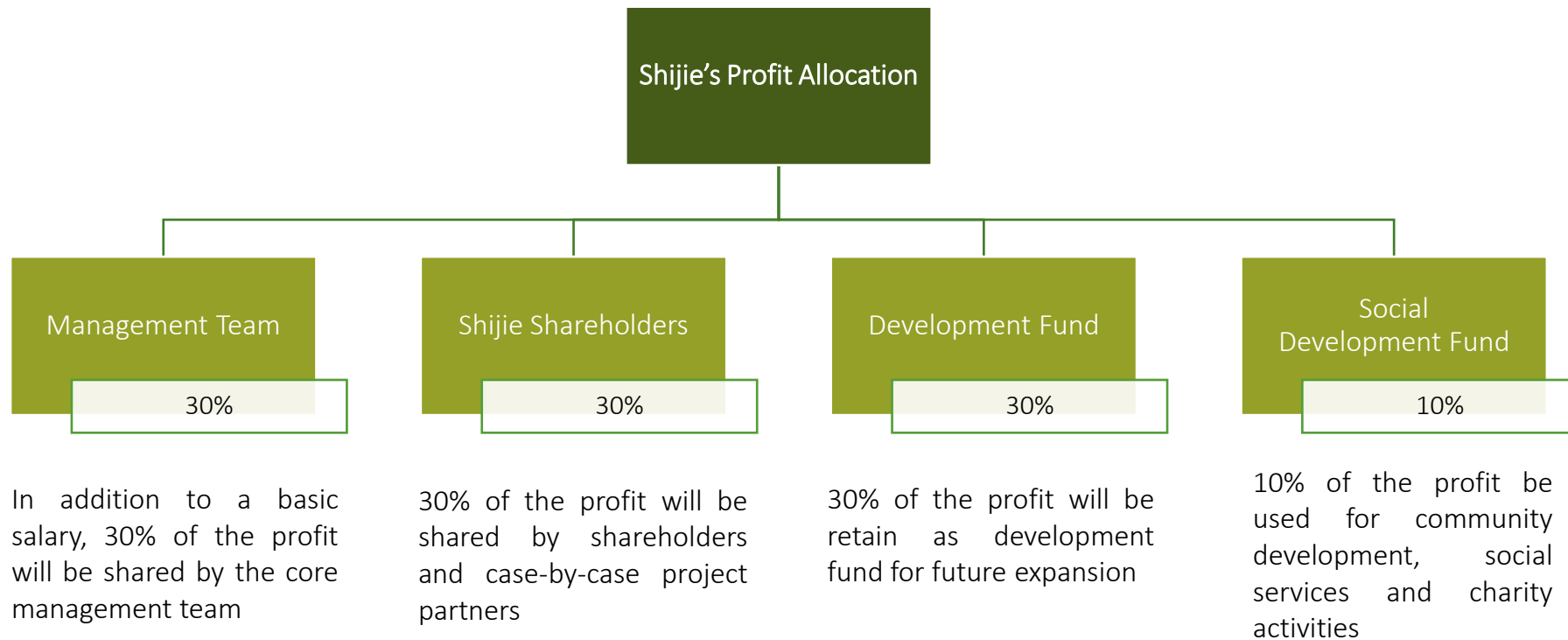


- Shijie will develop a Service Demonstration Centre in Guojia Village in partnership with Yunfeng Cooperative.
- It includes a Production and Living school which provides hands-on Natural Farming training for farmers in Guojia Village as well as Alliance members.
- Yunfeng will receive a profit sharing of 20% from Shijie

Yunfeng will have a profit sharing of the Guojia Service Demonstration Centre in Guojia Village

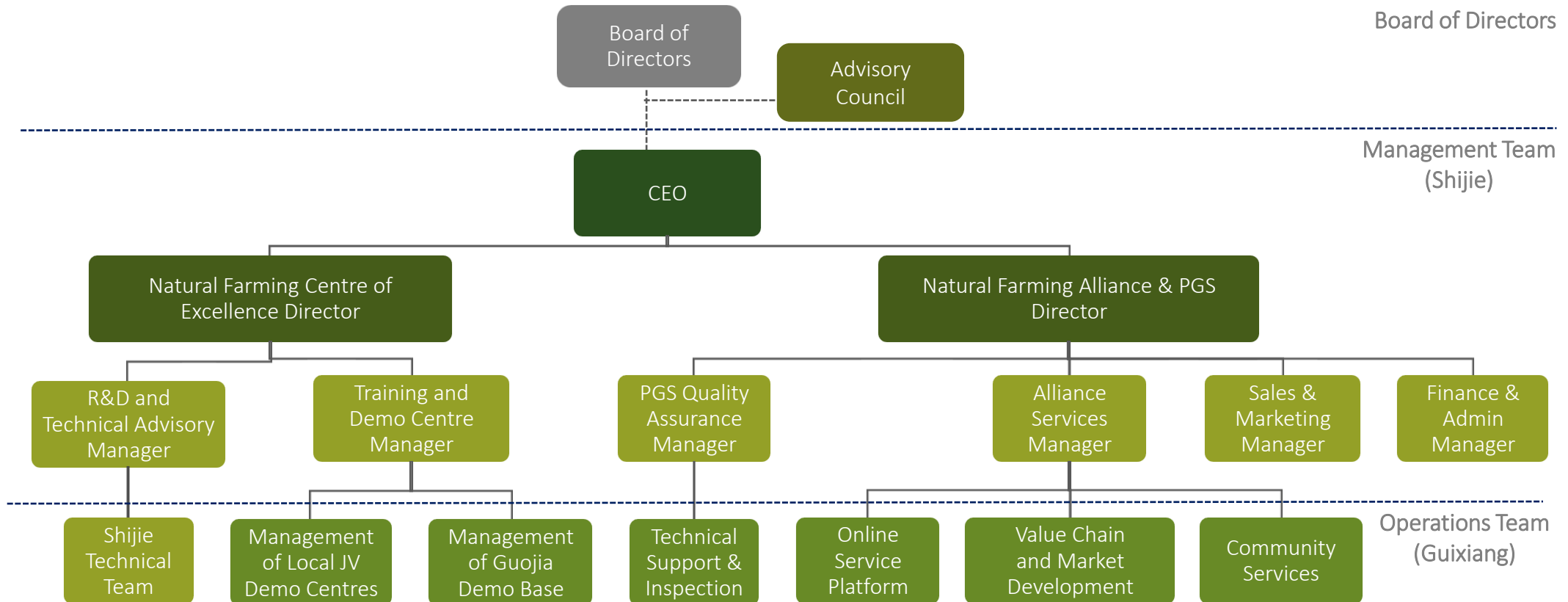
Shijie's Profit Allocation Structure

As the social mandate of the business and ethos driving the founders vision is in large part to drive social change and development, a percentage of profits will be allocated towards developing the Guojia Village Flagship Demonstration Base and the provision of services that benefit and support social change and impact in the local community.



A profit allocation model that balances shareholder return, participation and social development

Proposed Organisational Structure of Shijie



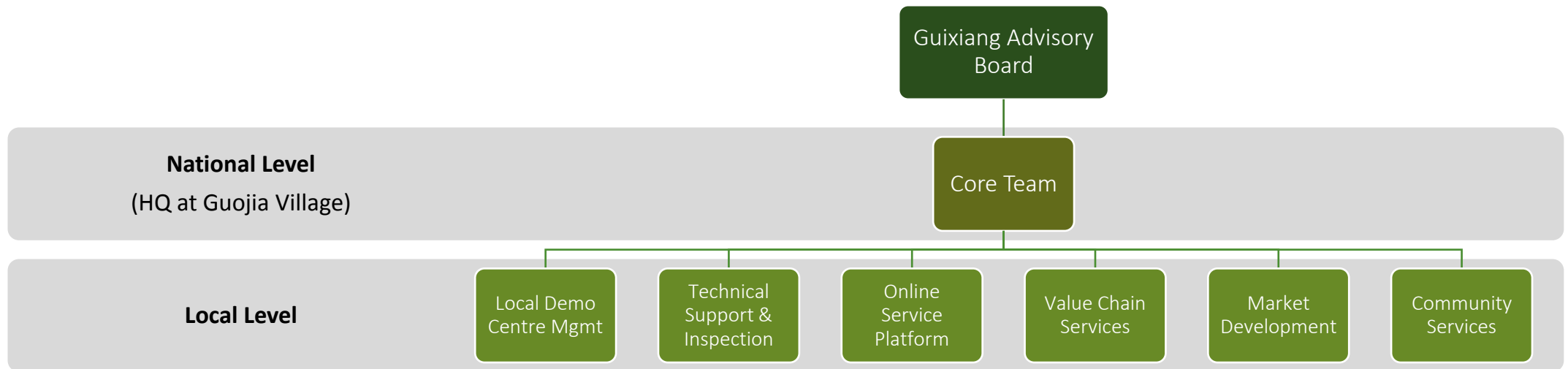
Shijie will be run by a core management and operational team and governed by a Board of Directors.

- The **Board of Directors** is the main governing body of Shijie responsible for corporate governance, overall strategy, financial oversight and risk management.
- An **Advisory Council** composed of a body of independent external advisors who provide oversight and advice to the Board of Directors for continuous improvement of the company based on acute knowledge of trends in the agriculture and food sectors.
- The **Management Team** (Shijie) is responsible and accountable to the Board for the management of resources in order to achieve business objectives via establishment of policies and processes and the allocation of budgeting, staffing and effective use of infrastructure.
- The **Operational Team** (Guixiang Team) help keeps the organisational structure of Shijie lean and agile. Shijie works with the Guixiang Team to deliver member services and implement projects at the local level.

Key Roles & Responsibilities of the Management Team

Roles	Responsibilities
CEO	<ul style="list-style-type: none"> Responsible for Strategic direction and overall performance of Shijie Manage key stakeholder relations Report to the Board of Directors
Natural Farming Centre of Excellence Director	<ul style="list-style-type: none"> Responsible for Strategic direction of the Natural Farming Centre of Excellence Lead R&D to develop Natural Farming Solutions that are viable and affordable for smallholder farmers Lead the development of Natural Farming training curriculum Lead the design and development of Guojia Village Flagship Demonstration Base
Natural Farming Alliance & PGS Director	<ul style="list-style-type: none"> Responsible for Strategic direction of the Natural Farming Alliance and PGS Lead membership and strategic partnership development Lead the development of member services Manage the development of online service platform
R&D and Technical Advisory Manager	<ul style="list-style-type: none"> Manage R&D activities Create documentation for Natural Farming technology Manage technology transfer and technical advisory services
Training and Demo Base Manager	<ul style="list-style-type: none"> Manage trainings for local trainers and Guixiang technicians Work with local member cooperatives to develop local Service Demonstration Centres
PGS Quality Assurance Manager	<ul style="list-style-type: none"> Work with producer members to develop local production standards Coordinate with Guixiang technicians to supervise production and conduct inspection Coordinate farm visits and cross-inspection among Alliance producer members
Alliance Services Manager	<ul style="list-style-type: none"> Manage member services and partnerships Develop linkages among rural and urban communities and strengthen community participation
Sales & Marketing Manager	<ul style="list-style-type: none"> Develop relationships with partner organisations to promote Natural Farming Alliance membership Coordinate sales and marketing activities
Finance & Admin Manager	<ul style="list-style-type: none"> Budget preparation, financial management and forecasting Resource planning and allocation Human resources management and development

Proposed Organisational Structure of Guixiang



- The Guixiang Team has a core team lead by 2 directors based at the national level headquarters in Guojia Village and work closely with Shijie management team.
- Guixiang members receive trainings at the Guojia Village Flagship Demonstration Base to become implementers of the Yunfeng model.
- Trained Guixiang members will be sent to Service Demonstration Centres across the country to help start up new operations. Each Guixiang member will be responsible for a specialised functional area, and can rotate among different centres to support different communities.
- An advisory board for Guixiang which is independent from Shijie and provides strategic direction to Guixiang team will be established to oversee all activities.

Guixiang Team provides support, technical advisory and Natural Farming training to local Alliance members

Criteria for Alliance Founding Membership

The following are the key criteria for producers to acquire membership to the Alliance as a Founding Member:

- ✓ Cooperative or company with a commitment to address the needs of local community in both agricultural production and social development
- ✓ Aspiration to make the transition to Natural Farming, engage in PGS and support local rural development
- ✓ Ability to invest in a Service Demonstration Centre and Production and Living School in addition to the RMB 200,000 Technology Startup Fee for technology transfer.
- ✓ Has a local team to manage the operations
- ✓ Has access to market for agricultural products including internal and external markets
- ✓ Engagement with local communities, either rural smallholder producers or urban consumers.
- ✓ Location suitable for Natural Farming
- ✓ Preferable to have local government support
- ✓ Commitment and active involvement in the startup of the Alliance



Active engagement in bringing Natural Farming to local communities

Criteria for Value Chain Partners



The following are the key criteria for Value Chain Partners to acquire membership to the Alliance:

- ✓ Has a service or product which is beneficial to Alliance producer members
- ✓ Committed to work with Alliance producer members on a fair and mutually beneficial basis.
- ✓ Has market channels which complements the Alliance
- ✓ Processors and input providers should meet the requirements of Natural Farming standards
- ✓ Products and services needs to be evaluated by the Alliance to be accepted for delivery through the Alliance platform
- ✓ Giving preferential rates to Alliance members, assuming certain volume can be met
- ✓ Willingness to give commission to the Alliance on new deals

Commitment to work with Alliance members to strengthen Natural Farming value chain

Transparency & Disclosure to Investors and Members

- With financial support from shareholders, members and partners, mechanisms need to be in place to deliver information on where money is directed, what services are conducted and what social impact is created.
- A key aspect is to ensure the integrity of PGS is maintained.

Monitoring by the Board

- Regular board meetings to evaluate the performance of the management, operations team and company overall
- Oversight of agreements with producer members, value chain partners and service providers
- Authority on hire, fire and compensation of management team

Internal Controls

- Regular reporting from national level Shijie management team and Guixiang team to Board of Directors
- Internal audits to test design and implementation of governance control mechanisms
- Spot checks on cooperatives, farms and distribution centres to ensure quality control and efficient utilisation of resources

Public Disclosure

- Terms of Reference of Board of Directors and Management team to all members
- Declaration of interest
- Annual meeting to outline strategic goals and implementation plans for coming year. Exchange of knowledge and sharing of experience amongst members

Disclosure of deployment of funds to investors, members and partners and ensuring integrity of PGS



Marketing & Sales Strategy



Summary

- While organic food products in China still only represent a small fraction of the total food consumption (less than 0.5% in 2013), the demand for organic agricultural products is expected to rapidly increase as awareness around food safety issues is creating more demand for safe and high-quality products.
- This presents an opportunity for Shijie and the Alliance to expand their presence and influence in the market through the promotion of the Natural Farming practice.
- As Natural Farming scales, it has a competitive advantage over organic farming (and chemical farming) and is an affordable alternative helping to create higher returns for farmers.
- A key aspect to expanding the Alliance membership base is providing targeted services to producer members based on their network size and market reach to ensure a healthy growth of their Natural Farming operations.
- Additionally, the creation of a brand for the Alliance based upon a unified system of production, management and marketing with PGS at the centre will give members a unique recognition in the market as the Alliance grows.
- Various target campaigns are proposed to generate awareness around the Alliance, leveraging the existing network of members, value chain partners and local communities.

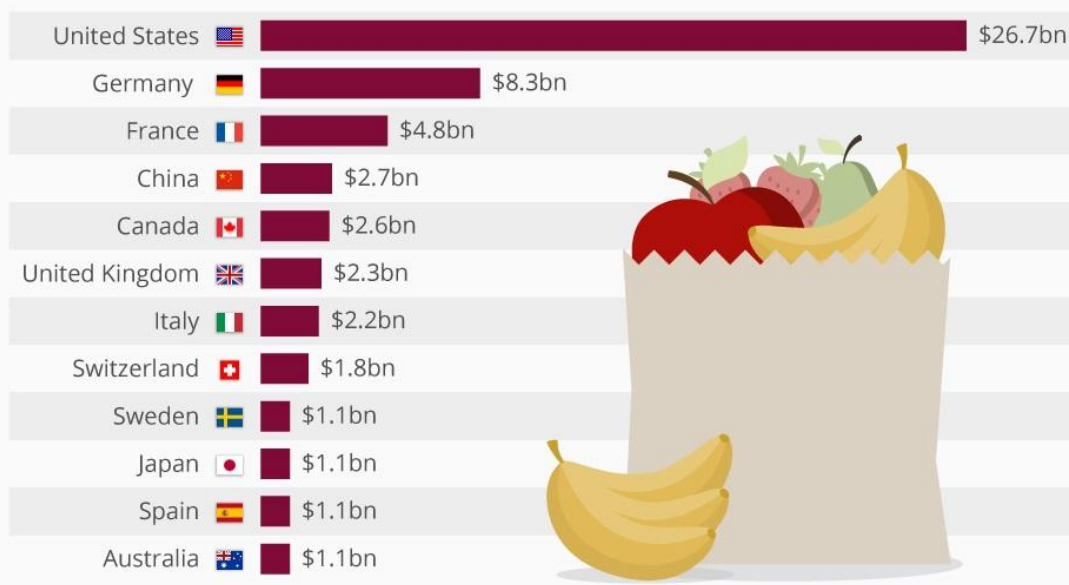


Trends in China's Organic Food Market

While organic food products in China still only represent a small fraction of the total food consumption (less than 0.5% in 2013), the demand for organic agricultural products is expected to rapidly increase.

- With a total area of 2.3 million hectares of land used for organic farming, China is the second largest producer of organic food in the world in terms of acreage. However, total output of its own organic products accounted for less than 1% of total agricultural production.
- As of 2013, about 0.95% of the agricultural land is used for organic farming. It is estimated that by 2020, organic farming land use will reach 1.2-1.5% and China will become the world's main producer of organic food products.
- Food safety scandals and changing lifestyles are influencing purchasing habits amongst consumers and therefore driving the demand for safe, high-quality food.

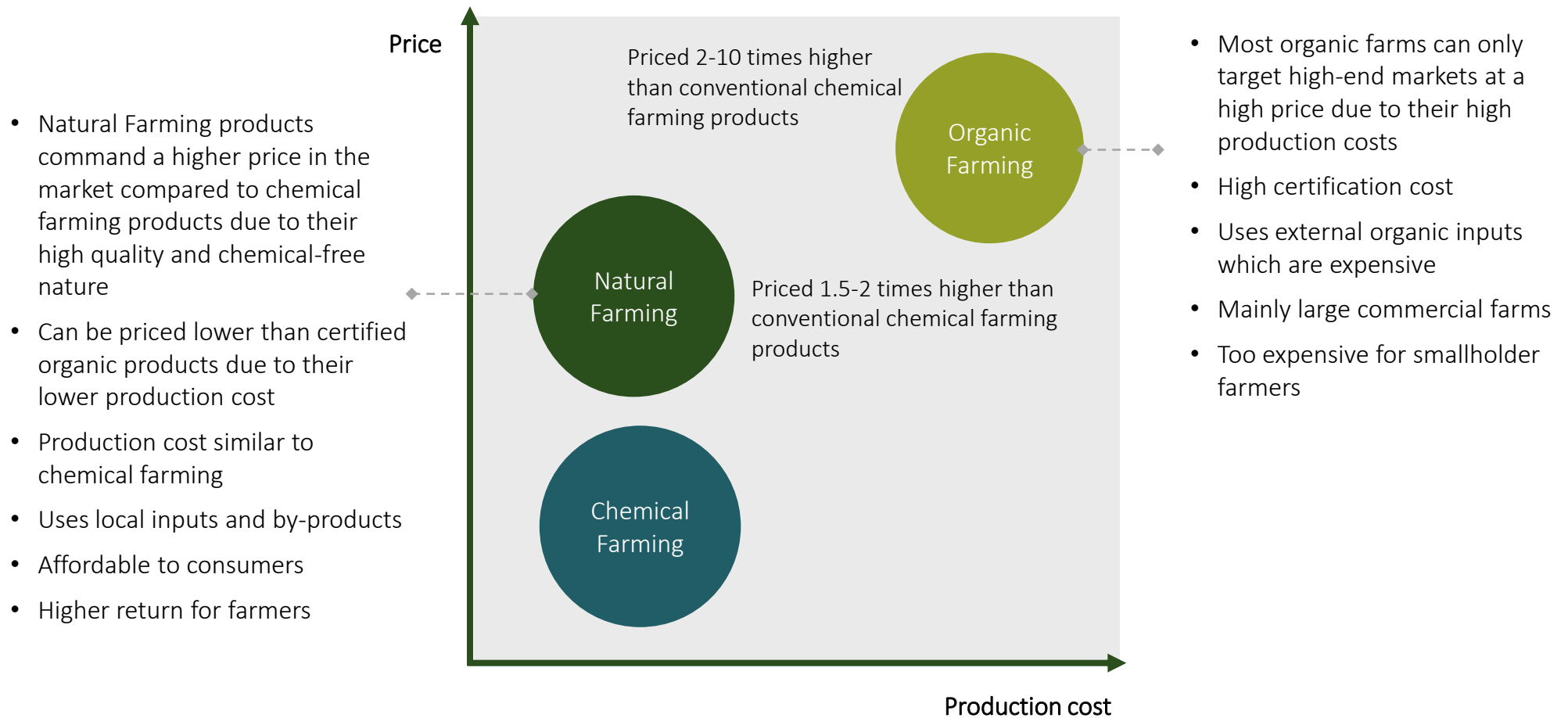
The World's Largest Markets for Organic Products
(Organic retails sales value by country in 2013)



The total market volume for organic food is growing steadily but China's own production level is still quite low

Competitive Landscape

The following diagram shows the market competitiveness of products from different farming methods. As Natural Farming scales, it has a competitive advantage over organic farming and chemical farming.



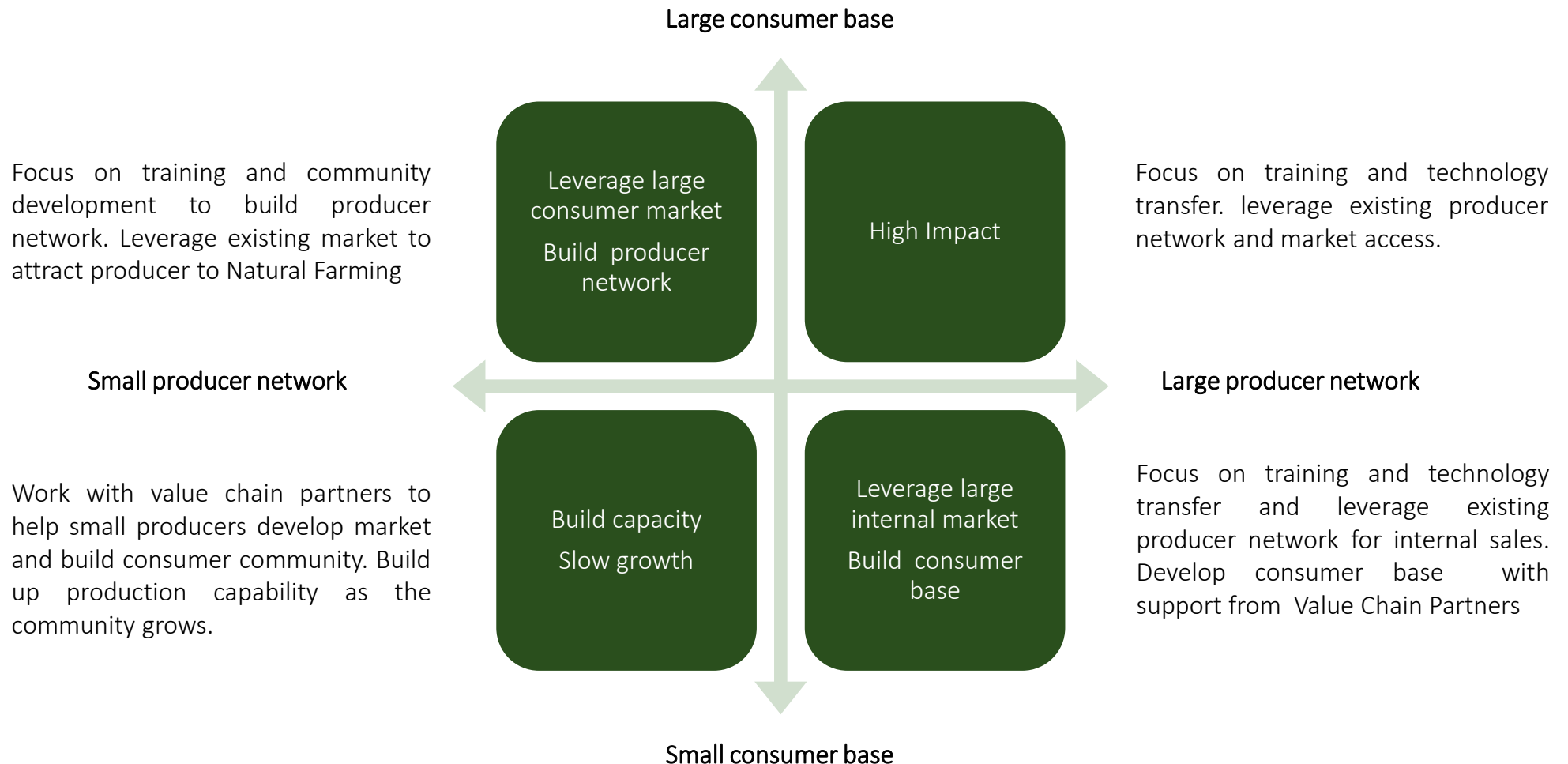
- Natural Farming products command a higher price in the market compared to chemical farming products due to their high quality and chemical-free nature
- Can be priced lower than certified organic products due to their lower production cost
- Production cost similar to chemical farming
- Uses local inputs and by-products
- Affordable to consumers
- Higher return for farmers

- Most organic farms can only target high-end markets at a high price due to their high production costs
- High certification cost
- Uses external organic inputs which are expensive
- Mainly large commercial farms
- Too expensive for smallholder farmers

Natural Farming has a competitive advantage in being affordable and creating higher returns for farmers

Market Positioning of the Alliance

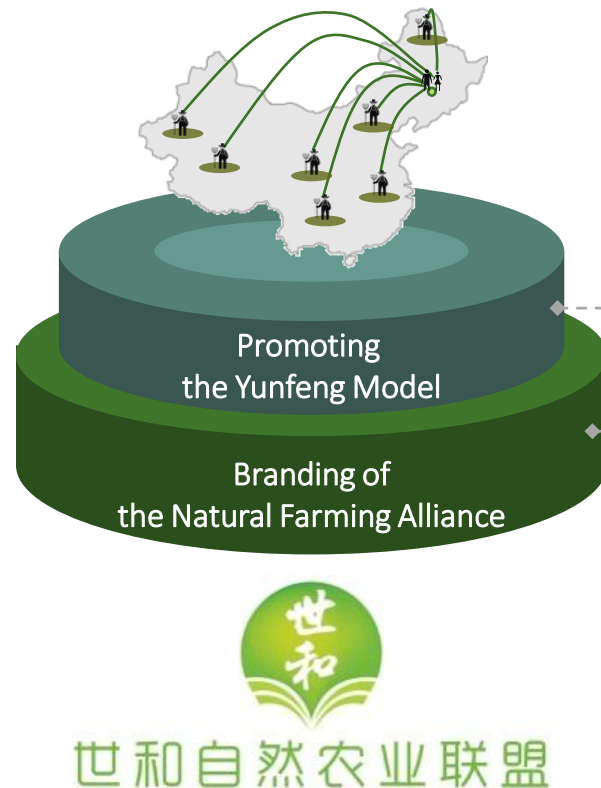
Shijie will manage the Alliance and provide producers members with targeted services based on their network size and market reach to ensure a healthy growth of their Natural Farming operations.



Providing producers in different segments with targeted services

Marketing & Branding of the Alliance

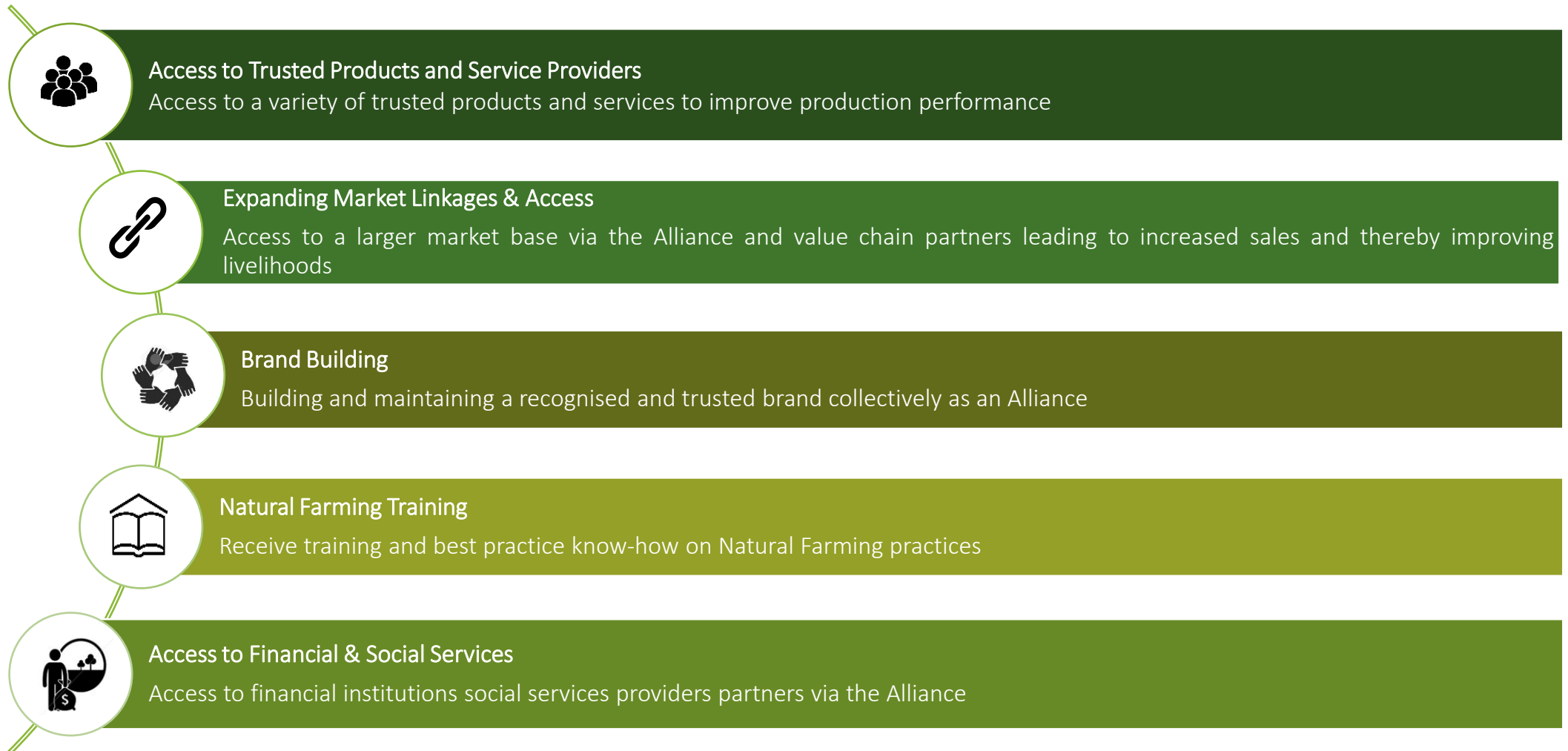
Promote the Yunfeng model of Natural Farming by creating a trusted brand for the Alliance.



- Scale up Natural Farming across China
- Establish **Service Demonstration Centres** to provide technical, financial, marketing and social services to smallholder farmers
- Establish **Production and Living schools** to provide Natural Farming and sustainable living trainings
- Establish a network of local **community based sales channels**
- Bring together and establish a network of **cooperatives, food producing companies, value chain partners** and others in the agricultural value chain
- Create a brand for the Alliance based upon a unified system of production, management and marketing with **PGS** at the centre
- Serve as a one-stop resource sharing hub in the Natural Farming value chain
- Building brand equity

Creating a recognised and trusted brand for the Alliance to promote the Yunfeng model

Alliance Member Value Proposition: Producer Members



Producer members will gain access to invaluable educational, financial and other beneficial services

Alliance Member Value Proposition: Value Chain Partners



Financial Institutions

- Access to a variety of new customers
- Support smallholder farmers and base of the pyramid customers with financial services such as micro-loans and other services



Agricultural Input Processors

- Access to high-quality and safe raw materials produced using environmentally sustainable practices
- Participate in the movement to change practices and the inputs utilized in agricultural practices, both in China and globally



Retailers

- Recognised and trusted as a company supplying high-quality, safe products
- Supporting smallholder farmers gain access to a wider market for their products
- Building a community of urban consumers who value locally produced, high-quality food



Community Organisers & Social Service Providers

- Access to a network of rural communities
- Recognised as an entity supporting community well-being

Value chain partners gain access to a wider customer base and recognised as a promoter of sustainable agricultural practices

Value Proposition: Consumers

Although consumers will not be members of the Alliance, per se, they will benefit from the services provided by the Alliance.



Alliance benefitting consumers and the local community at large

Marketing the Alliance to Potential Producer Members

Develop new producer members through creating learning opportunities to generate interest in Natural Farming amongst potential members.

Channel	Brief Description
Road Show & Workshops	<ul style="list-style-type: none"> Organise road show and workshops on Natural Farming with partners working on sustainable agriculture and rural development Potential partners: <ul style="list-style-type: none"> - Rural Reconstruction Center at Renmin University - Consulting Centre for Farmers Association (CCFA) - Greenpeace - At Life Information Technology Co. (“Super Community”) Leverage existing network and members for the audience
Service Demonstration Centre	<ul style="list-style-type: none"> Organise workshops and short courses to introduce Natural Farming Organise sustainable agriculture conference to introduce natural farming Manage and facilitate exchange programmes with other Service Demonstration Centres to bring in people from different communities and regions to create a greater understanding of Natural Farming through sharing of experience
Government	<ul style="list-style-type: none"> Work with local government to organise workshops for local cooperatives and companies Provide extension services in partnership with the government Collaborate with local government to set up local Service Demonstration Centres

Marketing through creating learning opportunities and generating interest amongst potential members



Alliance Public Relations Strategy

Various target campaigns proposed to generate awareness around the Alliance, leveraging the networks of members, value chain partners and the local community.

Channel	Brief Description
Multimedia Channels	<ul style="list-style-type: none"> Targeted campaigns via online and social media channels to generate brand awareness and reach a wide base of potential members across the country. Use social media to promote short interviews with Alliance members, farming demonstration, farm tour video clips etc. to drive awareness and engagement.
Eco-tourism & Natural Farming Training	<ul style="list-style-type: none"> Utilise eco-tourism activities to engage urban consumers and potential partners. Partner with local governments, urban community centers and other strategic partners to facilitate community building activities and exchange between urban consumers/ members and Alliance producer members. Offer short introductory Natural Farming training courses for beginners to drive engagement and awareness.
Ecological Agriculture Documentary & Natural Farming Presentations	<ul style="list-style-type: none"> Educate people on the improvements that have been made as a result of the adoption of Natural Farming and the benefits to the environment, economy, farmers and partners as a result of improved farm practices and knowledge transfer.
Advertising through Member Networks	<ul style="list-style-type: none"> Tapping into member networks to promote the Alliance amongst other cooperatives, smallholder farmers, agriculture value chain partners, financial institutions etc. Promotion through word-of-mouth and personal success stories. Developing additional sales and service hubs or partnering with restaurants, schools, etc. to drive sales and awareness.

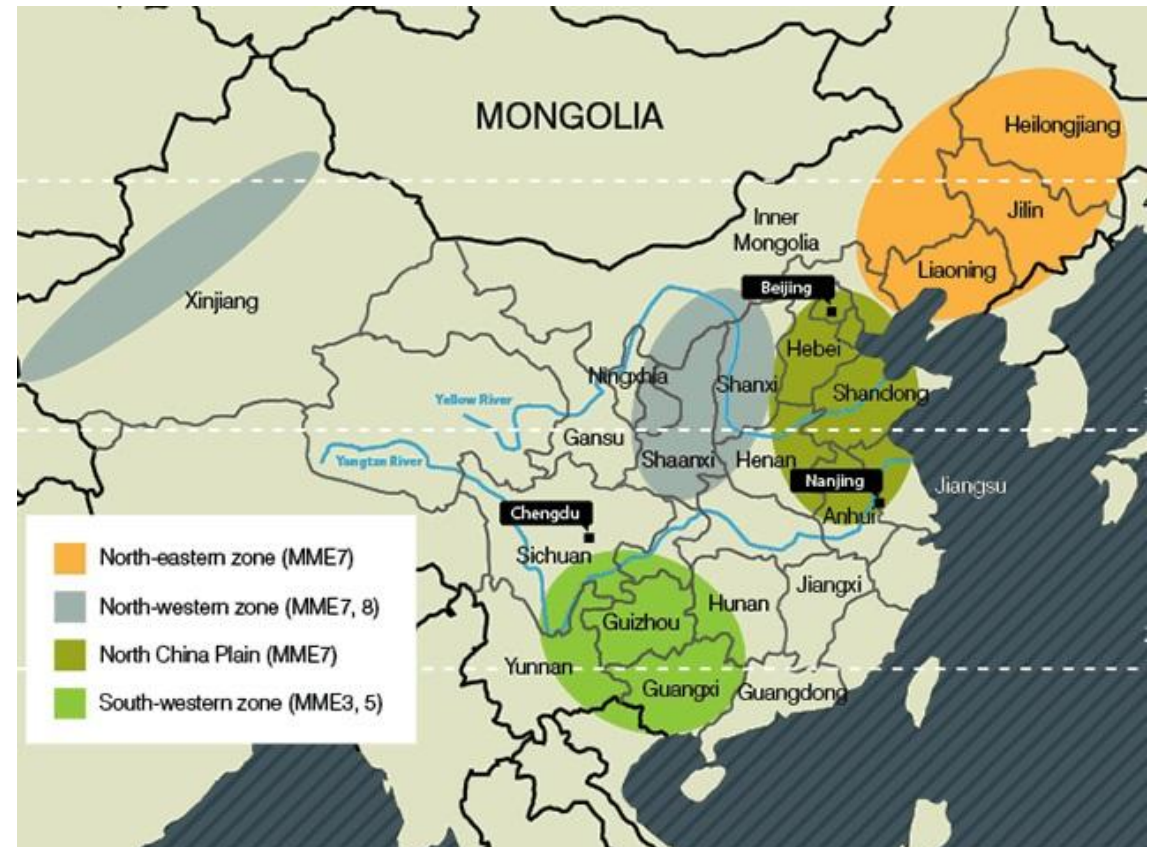
Creating local and nation-wide awareness around the Alliance through targeted campaigns and channels



Key Regions for Business Growth

- The **major corn producing regions** have suffered from serious pollution and land degradation due to heavy usage of chemical fertilisers and pesticides. Natural Farming can provide an alternative to chemical farming and diversify agricultural production.
- Promoting circular farming, integrating livestock and crop production at major corn producing regions will help farmers overcome the difficulty of sourcing organic fertiliser and increasing the value of crops.
- Converting to Natural Farming will help improve the livelihoods of smallholder farmers in these relatively poor grain producing areas.
- Hebei Province is also a major livestock producing area with many industrial farms and would benefit from the Natural Farming method to reduce waste and pollution.
- In addition, the **Optimized Development Areas** as defined in the "National Sustainable Agricultural Development Plan (2015- 2030)" can also benefit from Natural Farming.
- These include the Northeast region, the Huanghuaihai region, the Yangtze River area and South China, which are the main areas for agricultural production.

Major corn producing regions in China



Source: Australian Centre for International Agricultural Research (ACIAR)

Driving growth in major grain producing areas to reduce the negative impact of chemical farming



Financial Analysis & Investment

Summary

- The launch of the Alliance presents an excellent opportunity for Shijie, current and prospective Alliance members and partners to participate in a growing sustainable agriculture movement across China.
- This section includes the base case financial projections for Shijie and the Alliances' first five years of operation as well as sensitivity analysis for a best and worst cases.
- Shijie will require an **initial investment of RMB 10.6 million** for development of the Guojia Village Production and Living School, online service platform and additional set up costs.
- Equity investment from Impact Investor may be considered.
- Shijie's revenues are expected to **exceed RMB 58.3 million by 2021**, with a net income of RMB 10.5 million.
 - Base case assumes 70 producer members in 5 years
 - Best case assumes 100 producer members in 5 years
 - Worst case assumes 40 producer members in 5 years
- Key underlying financial assumptions are highlighted on the following pages.

Assessment Year:

5

	Metrics		Results
Investors	Total Investment	¥	10,600,000
	Net Present Value	¥	11,525,673
	Internal Rate of Return		34.4%
	Payback Period		2.4 Years
Business Stakeholders	Avg Gross Margin (%)		34.7%
	Avg Net Profit (%)		13.6%
	Avg Return on Capital Employed		27.2%
	Gearing Ratio	(Cash amount exceeds the debt)	

Key Financial Assumptions

Revenue Assumptions

- Producer members' Technology Startup Fee: RMB 200K
- Production and Living Schools (Guojia & 4% of 25 others): RMB 11.5m in Year 5
- 20% JV Service Demo Centre split (20:80) with Guixiang: 4% net to Shijie
- Commissions from Value Chain & External Partners: negotiable

Operating Assumptions

- Guixiang service delivery reduces Shijie's overhead costs
- Online service platform to be operated by third-party
- Local Production & Living Schools operated independently, supported by Guixiang

Scale of Operations

- Expansion to 50 Cooperatives in five years
- End of Year 5, 20 Agricultural companies to join Alliance
- Guojia Village Production and Living School operational by 2018
- 50 local demonstration centres and 25 local Production & Living Schools by 2021
- Production and Living School enrollment growth rate @ 25%

Cost Assumptions

- 9 staff in management team and a total of 34 staff in Shijie by 2021
- Base salary of RMB 3000
- Core management team to receive 30% profit sharing
- 10% of profit goes to charity to support local communities
- Software CAPEX estimated @ RMB 1.8 million (3 year total)

Investment Requirement

- Initial investment requirement of RMB 10.6 million for Production and Living School in Guojia Village, online service platform and additional start-up costs
- Equity investment from Impact Investor may be considered
- Investment to be made in 2016



Capital Structure & Investment Requirement

Categories	Initial Capital Requirement	Additional Requirements	
	2016	2017	2018
Production and Living School Building	5,000,000	0	0
Demonstration Facility & Equipment	4,000,000	0	0
School & Office Furniture & Equipment	1,000,000	0	0
Online Service Platform Software	600,000	600,000	600,000
Total (Required Investment)	RMB10,600,000	RMB600,000	RMB600,000

Source of Capital Requirement	2016	2017	2018
Equity	10,600,000	0	
Loan	0	0	
Retained Earnings	0	600,000	
Total (Required Investment)	RMB10,600,000	RMB600,000	RMBO

Initial capital of RMB 10,600,000 is needed to startup operations of the Alliance in Guojia Village

Income Statement Projection (RMB)

	2017	2018	2019	2020	2021
Revenue	27,381,000	36,063,600	42,142,910	49,760,515	58,358,189
Less: Cost of Revenue	(20,004,900)	(24,155,180)	(27,294,384)	(30,874,014)	(34,707,828)
Gross Profit	7,376,100	11,908,420	14,848,526	18,886,502	23,650,362
Gross Margin	26.9%	33.0%	35.2%	38.0%	40.5%
Less: Indirect Costs					
Research and Development	(1,000,000)	(1,100,000)	(1,100,000)	(1,100,000)	(1,210,000)
Marketing	(10,000)	(22,000)	(48,000)	(92,000)	(140,000)
Administrative Wages and Salaries	(1,099,995)	(1,607,270)	(1,944,797)	(2,353,204)	(2,847,377)
General and Administrative	(350,000)	(385,000)	(423,500)	(465,850)	(512,435)
Travel & Entertainment	(120,000)	(132,000)	(145,200)	(159,720)	(175,692)
Software Maintenance Fee	(100,000)	(110,000)	(121,000)	(133,100)	(146,410)
Financial Fees	(100,000)	(110,000)	(121,000)	(133,100)	(146,410)
Profit Sharing of Management Team	(1,038,842)	(2,192,655)	(2,943,519)	(4,054,868)	(5,261,621)
Charity	(346,281)	(730,885)	(981,173)	(1,351,623)	(1,753,874)
Depreciation	(1,133,333)	(1,133,333)	(1,133,333)	(933,333)	(933,333)
Profit before Interest and Tax	2,077,650	4,385,277	5,887,004	8,109,703	10,523,209
Less: Interest	-	-	-	-	-
Less: Tax	-	-	-	-	-
Net Income	2,077,650	4,385,277	5,887,004	8,109,703	10,523,209
Net Margin	7.6%	12.2%	14.0%	16.3%	18.0%
Average Gross Margin (%)	34.7%				
Average Net Margin (%)	13.6%				

Shijie's net income to grow significantly in 2017-2021 period

Cash Flow Projection (RMB)

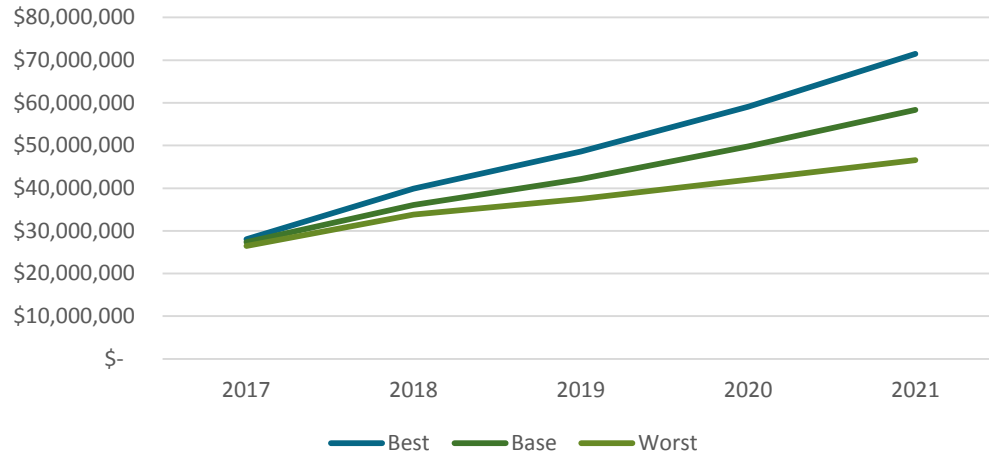
	2016	2017	2018	2019	2020	2021
Cash Received from Customer		27,381,000	36,063,600	42,142,910	49,760,515	58,358,189
Cash Flow from Investing:	(10,600,000)	(600,000)	(600,000)	0	0	0
Cash Flow from Financing:	10,600,000	0	(100,000)	(1,500,000)	(4,054,868)	(5,261,621)
Beginning Cash	0	0	2,610,983	7,429,593	12,949,931	17,938,099
Change in cash	0	2,610,983	4,818,610	5,520,338	4,988,169	6,194,922
Ending Cash	0	2,610,983	7,429,593	12,949,931	17,938,099	24,133,021
Dividends	(Principal)	2017	2018	2019	2020	2021
Dividends			100,000	1,500,000	4,054,868	5,261,621
Total Investment from Year 0 to Year 5	10,600,000					
NPV		(7,522,872)	(2,546,613)	2,311,731	6,518,720	11,525,673
IRR			-11.8%	14.6%	26.5%	34.4%
Accumulated Cashflow	(10,600,000)	(7,389,017)	(1,970,407)	3,549,931	8,538,099	14,733,021
Payback Period	2.4	Years				

Shijie will have a Net Present Value of RMB 6.1 million with a payback period of 2.3 years

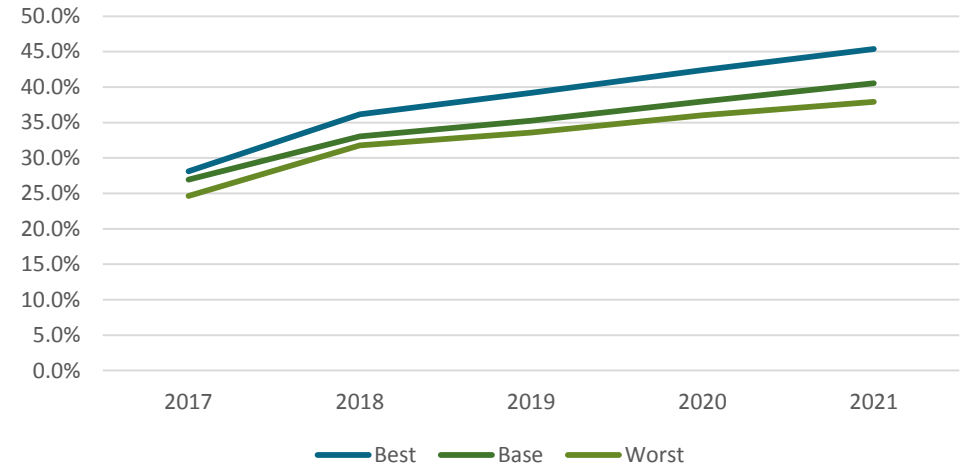


Scenario Analysis (RMB)

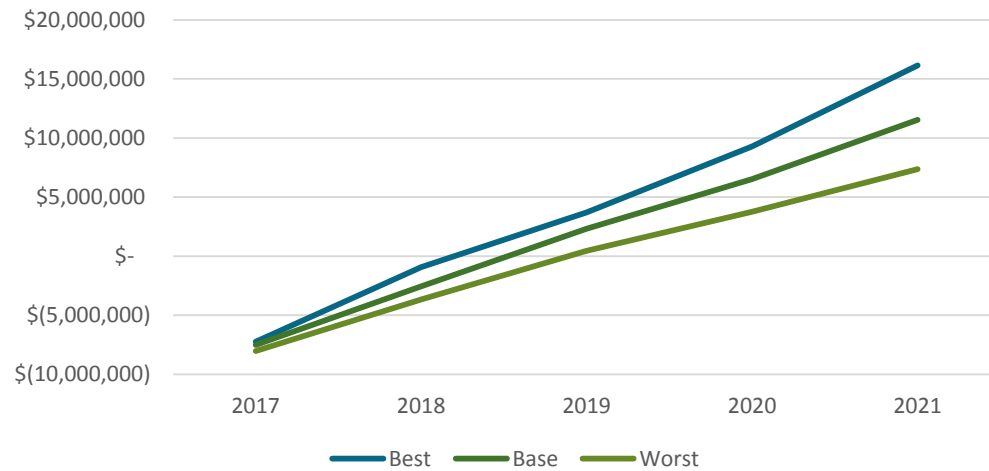
Revenue



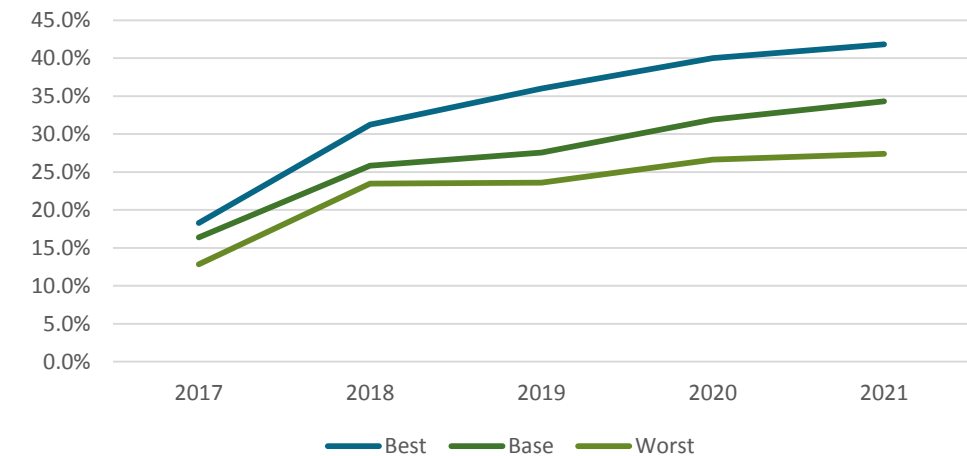
Gross Margin (%)



NPV



Return on Capital Employed





Social Impact



Summary

- Implementation of Natural Farming is a cost effective and efficient way to reduce environmental impact often incurred as a result of conventional agricultural practices, improve economic conditions while simultaneously supporting the development of rural economies and encouraging community building.
- The potential social impact of Shijie and the Alliance is immense, not only for members but the community at large. As public awareness and demand grows for quality, safe and sustainably sourced food, Shijie and the members of the Natural Farming Alliance will be key initiators pioneering the transition to sustainable and ecological agriculture in the region and supporting the promotion of these practices to other communities across China.
- It is proposed that a social impact measurement methodology be implemented in addition to the production of a yearly report in order to capture and apply lessons learned to other regions of China where the Alliance expands. Reporting social impact and performance can serve as a powerful marketing tool and contribute to the Alliances' efforts to spread awareness around Natural Farming.



The Environmental and Social Impact of a Successful Business Model

A Natural Farming Alliance with 50 cooperative members would support:



Reducing pesticide usage by
280 tonnes



Decreasing chemical fertilizer usage by
8,480 tonnes



300,000 tonnes
of pig manure for soil improvement



The creation of **1,000 jobs** for
returning university graduates



10,000 farmers benefitting from
increased incomes



25,000 consumers
getting access to high-quality produce

Alliance members contributing to a sustainable and scalable social business

Driving Social Impact & Community Development



Shijie and the members of the Natural Farming Alliance will pioneer the promotion and spread of the Natural Farming practices to other communities across China.

Benefits include:

- Providing access to services, products and resources designed to enhance the overall quality of life.
- Supporting small-scale farming and providing opportunities for farmers. Smallholder farmers will benefit from higher incomes as a result of the production of better quality produce.
- Natural Farming and PGS will encourage community engagement and the direct participation of farmers, consumers and other stakeholders building a foundation of trust, social networks and knowledge exchange.
- Function as a rural development tool and support reverse migration to the countryside.

Measuring Social Impact

A social impact measurement methodology and production of a yearly report is proposed in order to capture and apply lessons learned to other regions of China where the Alliance expands.

The Alliance will benefit members, partners and the local community and drive greater social development

Expected Environmental Impact



Sustainability

- Natural Farming is sustainable over the long term by supporting the promotion of a balanced ecosystem
- Reduces greenhouse gas emissions by managing waste emissions

Yield

- Cultivating indigenous microorganisms (IMOs) which help restore soil health and productivity
- Increasing yield in the long term through the use of affordable locally available inputs

Resource Management

- The utilisation of locally sourced materials and elimination of the need for imported synthetic chemical fertilisers and pesticides
- Efficient use and allocation of resources reducing wastage and agricultural by-products and the promotion of a less polluting agricultural system

Waste Management

- Integration of crop and livestock production in an odour free, zero-waste emission system – a major challenge with industrial farming
- Well managed systems with better nutrient retentive abilities greatly reduce the risk of groundwater pollution

Sustainable agricultural practices supporting balanced ecosystems

Expected Economic Impact

For Farmers

Natural Farming supports sustainable and ecological agricultural practices which are both financially and environmentally viable.

- Increasing yields of high-quality products which in turn enhances farmers livelihoods and quality of life. Improved income will lead to the social empowerment of farmers. Average increase in annual income per farmer is around RMB3000.
- Providing access to fair pricing and new market opportunities for local producers
- PGS is a less expensive, complement to third-party organic certification ideal for smallholder farmers

For the Community

- Supports economic growth and social development of the local community, and improves access to basic services and infrastructure
- Promotes the recycling of waste, utilisation of locally available materials reducing the financial risk by replacing expensive chemical inputs with locally available renewable resources
- Improving overall livelihoods and food security
- Encourages eco-tourism activities facilitating linkages between urban and rural communities and providing additional income for the community



Natural Farming driving farmer livelihoods and overall quality of life

Expected Community Impact



Natural Farming and the application of PGS function as rural development tools assisting farmers to improve their systems while encouraging community building and supporting local economies.

Impact on Society

- Generation of employment opportunities and encouraging reverse migration of young entrepreneurs and recent university graduates to the countryside
- PGS instilling trust between Alliance members and consumers and offers the opportunity to understand and participate in the certification process
- Improving the quality of life in rural community by practicing Natural Farming with efficient and simplified farming processes

Impact on Health & Food Safety

- Enhancing food safety by providing access to reliable, high-quality, sustainably produced food
- Improves animal welfare
- Provides access to veterinary & medication services for livestock management
- Short supply chains and personal encounters between consumers and food producers reduces challenges associated with food safety

Supporting the development of rural economies and encouraging community building



Measuring Social Impact

- As the Alliance expands, a social impact measurement methodology and production of a yearly report are proposed in order to capture and apply lessons learned to other regions of China.
- The potential indicators can include but are not limited to social impact in the community, sustainable development goals, survey based indicators and environmental impact.
- Reporting social impact and performance can serve as a powerful marketing tool and contribute to the Alliances' efforts to spread awareness around Natural Farming.

Exemplary Social Impacts

- Growth in population of youth in rural areas
- Financial conditions of farmers
- Overall improvement of livelihoods in community

Sustainable Development Goals Indicators

- Proportion of population living below the poverty line
- Productivity and crop yield
- Ratio of employment level to population

Survey Based Indicators

- Annual survey to determine members level of satisfaction and impact of services provided by Alliance
- Used to determine company and Alliances' ability to improve social performance indicators

Environmental Impacts

- Growth in numbers of Natural Farming practitioner by land-size
- Soil, crop and livestock productivity and health
- Efficient management of resources and waste

Measuring socio-economic impact to capture and apply lessons learned as Alliance expands





Implementation Plan



Implementation Timeline

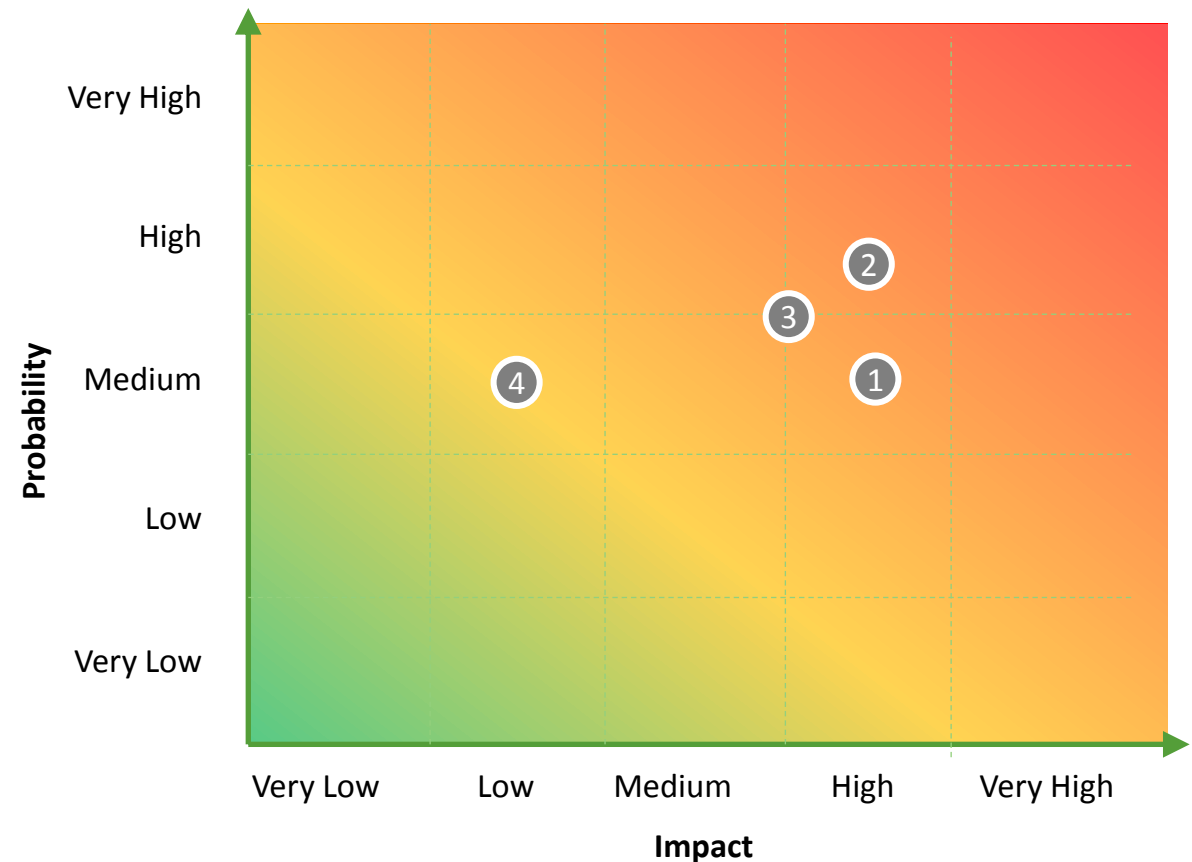
Focus Area	Phases	Year 1				Year 2				Year 3				Year 4				Year 5			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Governance, Org. Structure & HR	Establish Board of Directors & Advisory Council																				
	Review and establish Shijie and Alliance governance and organisational framework																				
	Establish the new organisation structure of Shijie																				
	Secure key management – CEO and other directors																				
	Formalise working relationship with Guixiang team																				
Alliance Member Services	Develop Natural Farming curriculum and training materials																				
	Ongoing R&D to adapt Natural Farming to local conditions and develop new applications																				
	Develop Guojia Village into a flagship demonstration base																				
	Support local partners to develop local Service Demonstration Centres and Production and Living Schools																				
	Build capacity for training and advisory																				
	Gather requirements and develop online service platform																				
	Develop core value chain partners and associated services																				
	Develop local Guixiang team																				
	Launch PGS in the Alliance																				
Sales & Marketing	Strengthen government relationships																				
	Work with urban community partners to promote natural farming products to urban consumers																				
	Organise road shows with partners to engage cooperatives																				
	Conduct market research on organic and natural farming practices and products																				
	Facilitate exchange programmes among different Service Demonstration Centres																				
Finance	Secure loan or investment																				
	Annual financial reporting for Alliance members																				



Risk Analysis & Mitigation

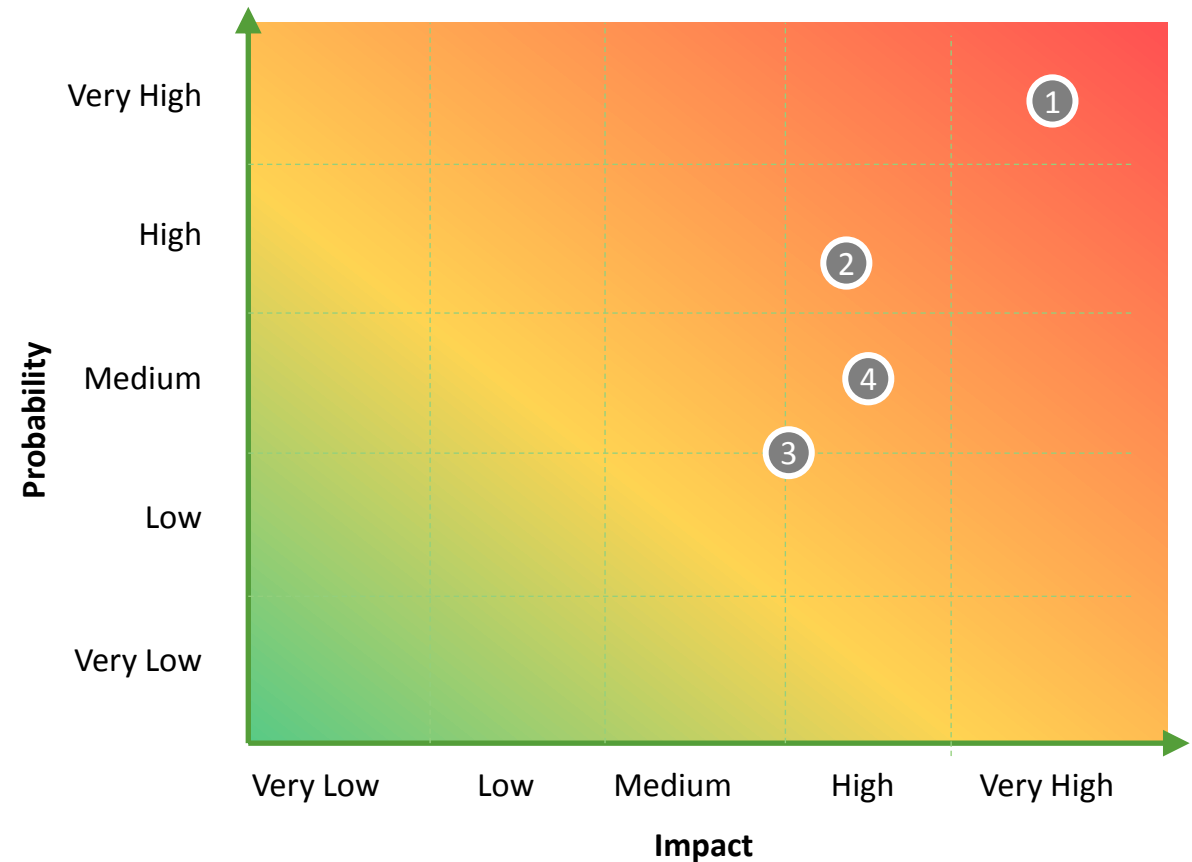
Alliance Operations: Risk Analysis & Mitigation

- 1 **Risk:** Inconsistency in quality of products among producer members
Mitigation: Provide technical support to producer members with quality issues. Regular quality inspection of products as part of PGS assurance process.
- 2 **Risk:** Lack of skills in technology adoption
Mitigation: Design training programs adapted to local needs. Assign local Guixiang technicians to support farmers initial adoption phase.
- 3 **Risk:** Lack of consumer base for some small producer members
Mitigation: Work with organisations who have existing consumer network to build consumer base. Cross-selling among producer networks.
- 4 **Risk:** Lack of government support
Mitigation: Work with organisations who has strong government relations and to gain the necessary support



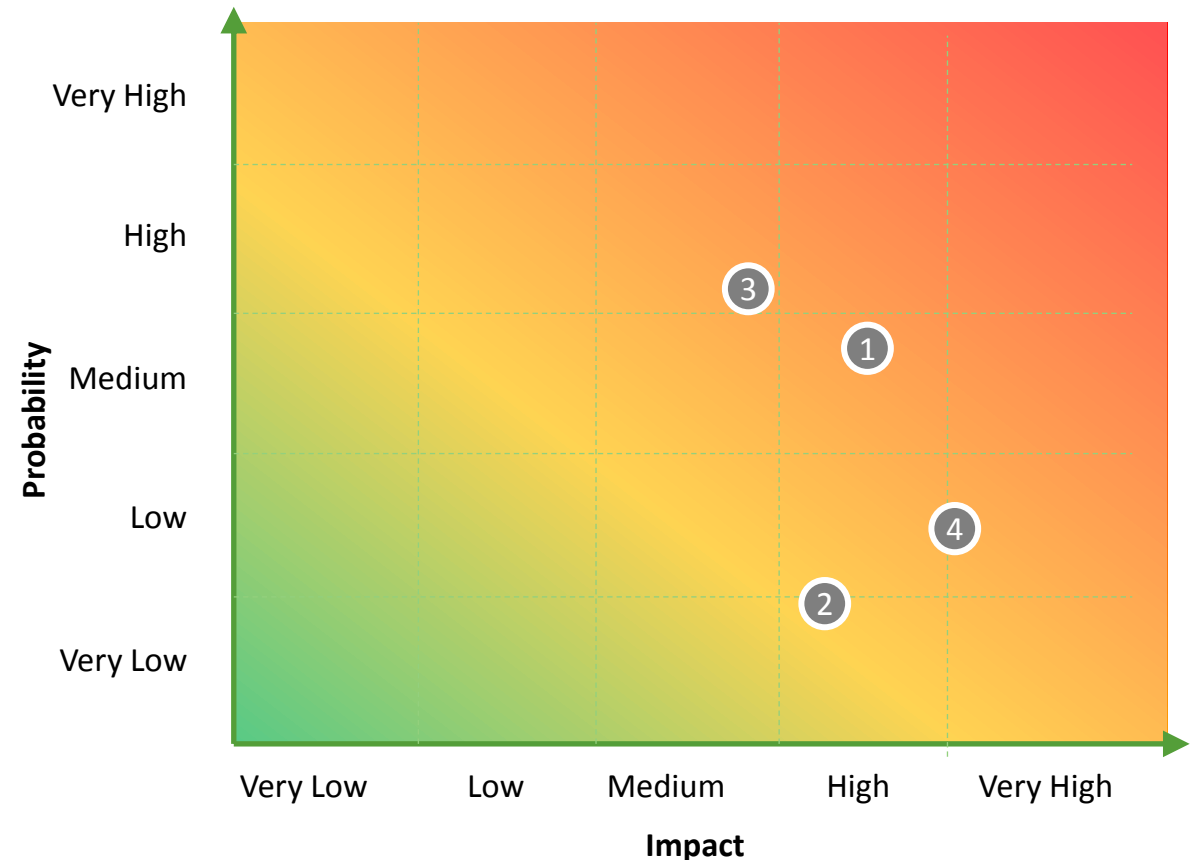
Governance & Organisational Management: Risk Analysis & Mitigation

- 1 **Risk:** Dependency on Shijie founders
Mitigation: Formalise management structure and develop new talent
- 2 **Risk:** Lack of capacity to support the establishment of many Production and Living Schools at the same time.
Mitigation: Develop a strong core team of Guxiang technicians at Guojia Village who can then lead the development of Production and Living Schools. Start with a small number of schools and scale up when a team trainers and technicians are developed.
- Risk:** Competition with large commercial farms in retaining technicians in Natural Farming
 3 **Mitigation:** Provide opportunities for technicians to broaden their career path, including rotation among different producer members to develop their expertise. Offer profit sharing as incentive for them to stay with local producer members.
- Risk:** Lack of alignment between management team and local Guxiang operations team
 4 **Mitigation:** Quarterly meeting and training at Service Demonstration Centres to ensure team is aligned. Use an internal communication platform for regular communications.



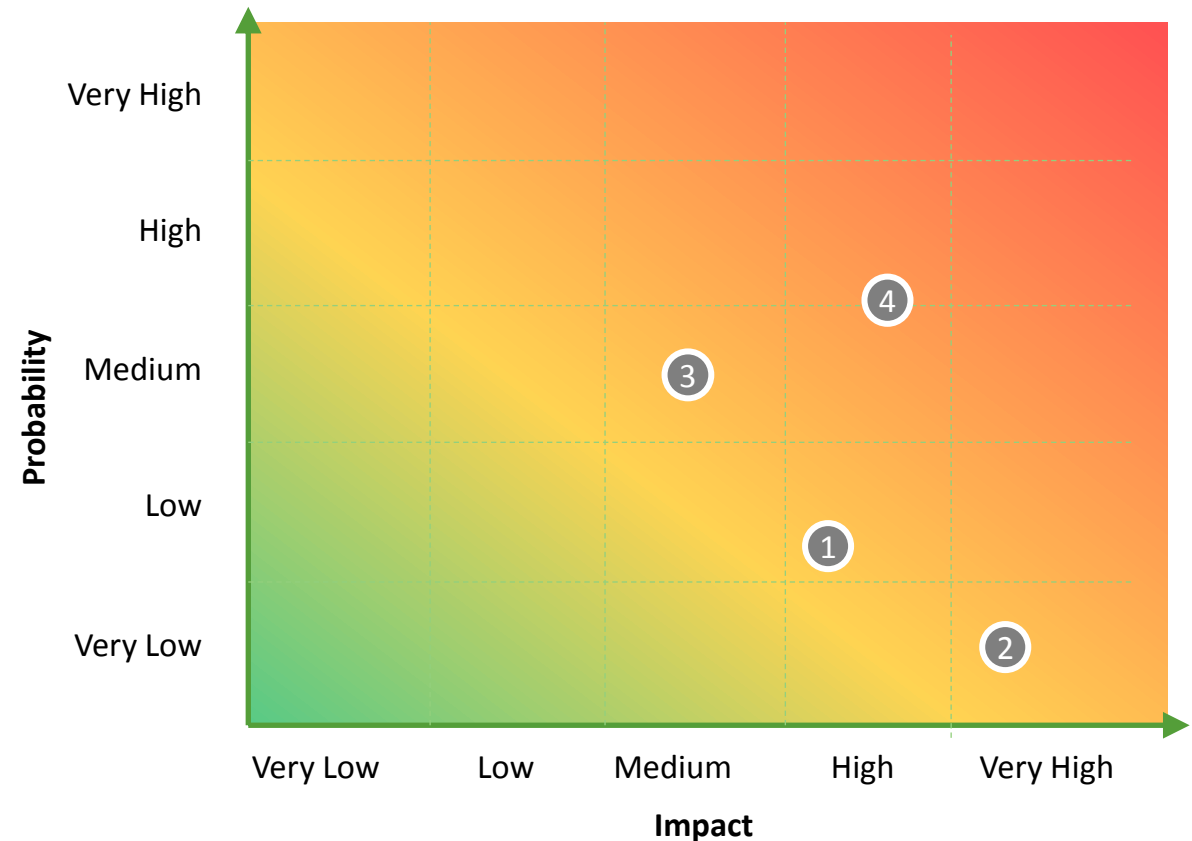
Sales & Marketing: Risk Analysis & Mitigation

- 1 **Risk:** Entry of new competition
Mitigation: Maintain good reputation in agriculture and organic sectors and strengthen member and consumer engagement
- 2 **Risk:** Slow growth of producer members base and value chain partners
Mitigation: Increase Alliance PR and marketing activities
- 3 **Risk:** Lack of awareness among consumers on Natural Farming products
Mitigation: Work with local partners to develop community programmes to engage with consumers. For example organising farm visit, farmers market and food tasting events.
- 4 **Risk:** Maintaining reputation as Alliance expands to include new producer members and value chain partners
Mitigation: Work in collaboration with producer members and value chain partners to develop and support the implementation of local production standards and provide training for PGS implementation



Financial Analysis & Investment: Risk Analysis & Mitigation

- ① **Risk:** Challenges securing required initial capital (bank loan)
Mitigation: Emphasise opportunity to financiers and partners to drive significant social benefits; maintain asset-lean model for business plan and scale-up of operations
- ② **Risk:** Guixiang turnover higher than expected
Mitigation: Strong engagement both at the national and at the local levels and increased incentives (monetary and non-monetary)
- ③ **Risk:** New cooperative members unable to pay Technology Startup Fee
Mitigation: For members with less capacity, set up local Service Demonstration centre at a later stage. Target successful cooperatives as priority during first 5 years start up phase
- ④ **Risk:** Local Production & Living Schools unable to meet revenue targets
Mitigation: Sufficient due diligence before agreeing new members and building schools. Work with local government to organise customised workshops to introduce Natural Farming to local communities and agricultural companies





Conclusion



Critical Drivers for Success

- Shijie is well-positioned to build on the learnings and success to date of the Yunfeng model, leverage its expertise on Natural Farming and benefit from existing members and partners to establish a national Alliance to meet the demand for sustainable agricultural practices and the production of safe and high-quality produce in China.
- Shijie and the Natural Farming Alliance's commercial viability and continued growth hinges on the growth and expansion of the Alliance membership base to establish a network of producer members, food producing companies, value chain partners and others in the agricultural value chain.
- Besides being a financially viable business, Shijie and the Alliance have the potential to have direct and immediate impact providing cost effective ways for smallholder farmers to produce safe and high quality food and reduce environmental impact while simultaneously supporting rural revitalisation and encouraging community building.
- Several key drivers for success include:
 - Strong focus on Shijie's social development and financial stability without compromising profitability.
 - Create a recognised and trusted brand for the Alliance to promote Natural Farming in China.
 - Maintain strong research and development in Natural Farming technology to develop localised solutions and cultivate local talent who can take the solutions forward with continuous improvements.
 - Stay ahead of industry trends by driving innovation of new services for members together with value chain partners.
 - Targeted approach for marketing the Alliance to potential producer members and value chain partners.
 - Identify risks and develop action plans to address these quickly and efficiently.



Special Thanks



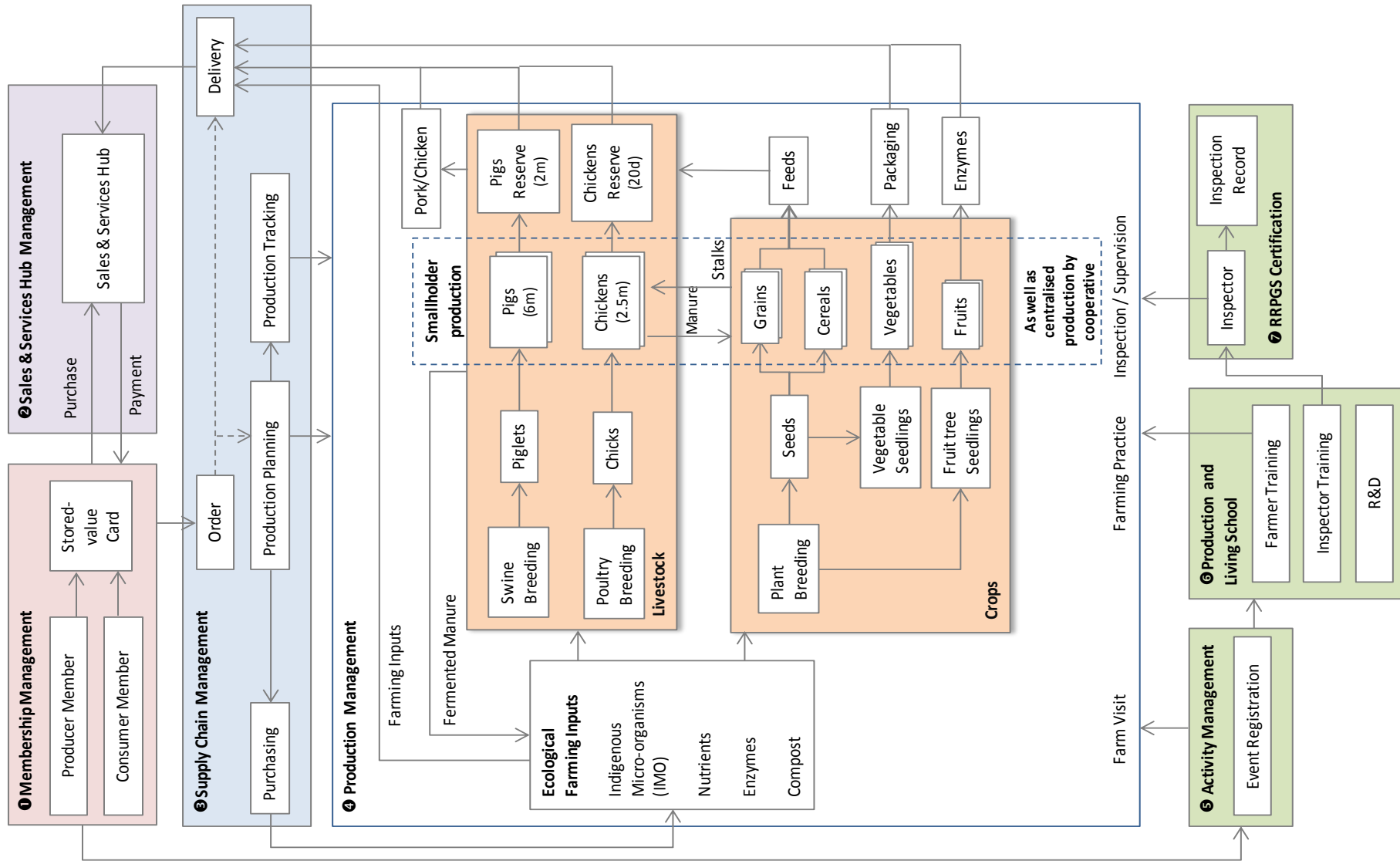
We would like to extend our sincere gratitude and thanks to Ms. Li Yunfeng, Mr. Li Shijie, Mr. Liu, Mr. Song Guang, the Guixiang Team and other members, stakeholders and supporters of the Yunfeng Cooperative and Shijie Company for their support, hospitality during the course of the programme.



Appendix



Appendix: Yunfeng Production Management, Marketing Services and PGS (1/2)



Appendix: Yunfeng Production Management, Marketing Services and PGS (2/2)

1. Membership Management

- Cooperative members comprise of Consumer and Producer members.

2. Sales and Service Hub Management

- Orders placed by consumers are delivered to the specified Sales and Service Hub indicated by the member. Alternatively, consumers can opt to collect the produce directly from the farm.

3. Supply Chain Management

- In addition to pre-order fulfillment, the cooperative tracks and plans production to meet the demand of consumers who opt to purchase produce onsite during farm visits.

4. Production Management

- The cooperative produces and provides the necessary Natural Farming inputs to support production. The cooperative additionally collects grains from crop farmers and processes these into animal feed for livestock farmers.
- Pigs and poultry owned and raised by smallholder farmers are collected and raised by the cooperative in a centralised facility for the final period before selling to market to ensure quality.

5. Activity Management

- Yunfeng organizes and facilitates community building activities which includes farm visits for city members along with other initiatives to engage members.

6. Production and Living School

- The Production and Living School provides classes to train members on Natural Farming and sustainable living. The School will additionally train consumer members who are interested in becoming RPPGS inspectors.

7. RPPGS Certification

- In the future, Yunfeng will facilitate the PGS certification process utilising an online platform to track and manage inspections and certification.

