

Title: Empirical analysis of the breakdown of the income of Chinese farmers

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Abstract:

The income of Chinese farmers has undergone substantial change over the last few years: in absolute terms, it has increased steadily, but the scale of this increase has been falling constantly; the income gap between farming households and urban households is widening; substantial imbalances in farmers' income have arisen; the income levels and consumption of farming households remain low; the sources of their income, which used to come mainly from farming activities, are now increasingly diversified.

The authors used chronological statistics to estimate the different sources of farming income and the impact of macroeconomic and political factors on that income. The sources include salaries, farming household income (which comes from farming and non-farming activities), transfer income and property income. These revenues can be divided into two categories: net productive revenue and net non-productive revenue. The first category can be subdivided into productive revenue from farming and productive revenue from an activity other than farming. Farmers' income can also be broken down into two main categories according to the sector: revenue from farming and revenue from an activity other than farming. The time period used for this estimation goes from 1978 to 2004. The model provides the following results:

1. The impact of these different sources of farmers' income on the net average income per person: the net income of family productive activities, the income from farm production and the income from the family farming activity have been the main elements of average net income of Chinese farmers for quite some time. But these sources increase much more slowly than the average net income per farmer, on which they have a negative impact since the volume is constantly decreasing. Non-productive revenue, transfer revenue and property revenue have always made up a small proportion of average net income per farmer: they have no visible impact on the increase in farmers' income. Salaries, production revenue from non-farming activities, family revenue from non-farming activities and non-farming revenue from the family productive activity do not make up the largest part of the average net income per farmer but they are the main drivers of growth. Among the sources of income from the family production activity, revenue from an activity other than farming is increasing far more quickly than the net average income per farmer, while revenue from farming activities is growing more slowly than average net income. This shows that the reduction in the importance of income from the family productive activity is mainly due to the farming part of that income. Among the sources of productive income, revenue from an activity other than farming is growing faster than the average net income per farmer, while the growth of farming revenue is slower than the growth of average net income. This shows that the rise in net average income is mainly due to the increase in productive income from non-farming activities. Therefore, non-farming related revenue from the family productive activity, salaries and productive revenue from activities other than farming have become the main sources of the increase in the farmers' income as well as its main leverage.

2. The impact of macroeconomic factors on the average net income per farmer. According to the estimates, the increase in the average net income per farmer follows that of per capita GDP while the income gap between the countryside and the city is widening at the countryside's expense. The average net income per farmer should increase steadily as farming becomes increasingly

industrialised, urbanisation progresses, and China opens up to the outside world.

Conclusion: the factors that influence and limit the increase of farmers' income are related to structural problems in the economy, public policy and institutional innovations. The increase in farming income must become an integral part of the global development strategy in China and should be correlated with industrial restructuring. Non-farming employment must be promoted at the same time as suburban development, which would solve the problem of increasing farming income through industrialisation, suburban development and the market economy. The following are proposals for measures to be taken in these domains: (1) ensure the stable and continuous growth of the rural economy, increase farmers' revenue by making agriculture more profitable; improve measures that favour rural industry, encourage the development of the rural industrial structure and the internal structure of agricultural production; accelerate the transformation of agricultural production and farming methods towards intensive, wide-spread and industrial mass production; promote the use of scientific and technological solutions for farming activities, reinforce the implementation of policies for agricultural development through science and education. (2) accelerate the conversion of the rural workforce and enlarge the possibilities of increasing farmers' income. (3) reinforce policies that support farmers' income. (4) increase farmers' income through innovative measures that favour all parties involved in farming such as property reform, the unification of the civil registry system for the urban and rural populations, job market reform, budgetary policy and fiscal policy reform that would be more favourable to farmers, the reform of the rural financing system and the creation of a social protection system for rural areas.

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