

Title: Impact on farmers' income of the industrialised management of agriculture and organisational innovations in farming

Author: Du Yintang (Rural Development Institute of the Chinese Academy of Social Sciences)

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Abstract:

The increase in Chinese farmers' income is limited by the following main factors: a low level of marketing in farming, poor market integration, insufficient food product processing, an inadequate organisational development in the farming domain and a high transaction cost for farmers. The measures taken within the framework of the farming industrialisation policy seek to provide solutions to this problem known as the "four low levels and one high level". According to the report, agricultural industrialisation aims at national and international markets with the principal objective of increasing economic profitability. It comprises setting up geographic redistribution, specialised production, integrated productive activities, social services and entrepreneurial management of key sectors and star products from local farms. Industrial agriculture also requires bringing together production, supply and distribution on the one hand, and commerce, industry and agriculture on the other, as well as economy, science and education, in order to build up an integrated management system.

Five main models of organisations in Chinese agricultural industrialisation have appeared over the past few years: (1) The "market + farming household" model: this identifies the location where transactions of merchandise take place. By bringing together and distributing merchandise, the market provides local farmers with a point-of-sale for their products and a relatively low transaction cost. (2) The "base + farming household" model: this consists of production bases for merchandise that are established by the government and by the local authorities, bases established by a leading company, or even contractual bases signed between companies and farming households or local communities. (3) The "company + farming household" model: companies and farming households unite to further their mutual interests in four different ways: mutual interest contract, investment / funding, market transactions, sub-letting of land for farming¹, some being similar to the "base + farming household" model. (4) The "co-op + farming household" model. (5) The "association / intermediary + farming household" model: the association is a non-commercial organisation whose resources come mainly from training courses, sales of manuals, management of specialised means of production and a range of intermediary services to sell merchandise. The intermediary is a group of individuals or management organisations that provide both parties with intermediary services such as customer contacts, storage and transport.

At end 2002, there were 372 leading companies recognised on a national level, 1,839 leading companies recognised on a provincial level and more than 20,000 others involved in Chinese agricultural industrialisation. Orders for agricultural products, which correspond to transactions carried out according to pre-established contracts throughout the Chinese territory, covered a cultivated surface area of 21.8 million acres, or 14% of the total cultivated area in 2002: almost half of those orders were from leading companies. For the time being, no extensive, detailed study of farming households has been carried out to evaluate the impact of the development of industrialised agriculture on farmers' income. It is only possible to measure the increase in income indirectly by basing estimates on the progress made in agricultural merchandising and in market integration.

Statistics show that agricultural merchandising and market integration have progressed

¹ The farmers' fields are sub-let by local governing bodies who then entrust the fields to farmers who constitute an agricultural workforce.

significantly. This has undoubtedly had quite a positive effect on the increase in farmers' income. Various structures involved in agricultural industrialisation have developed rapidly and the processing chain and food marketing chain have expanded: this has had an undeniably positive influence on the stability of distribution channels, the progress of agricultural merchandising and the rise in farmers' income. Nevertheless, the level of organisation in farming remains low. The added value from agricultural industrialisation is generally only beneficial to the leading companies, and very little trickles down to the farmers. This prevents farmers' income from increasing. For the time being, Chinese agricultural industrialisation is dominated by leading companies, most of which have chosen to unite their own interests with those of farming households by way of relatively loose contracts instead of investment/funding. The long-term stability on farmers' income of the positive effects of leading companies' expansion of market-based agricultural production is therefore anything but certain. There have recently been rumours in the country of broken contracts between farming households and leading companies, which proves the unstable nature of these "company + farming household" relationships.

In conclusion, public policies need to focus primarily on supporting the development of specialised farming co-ops and improving the organisation of agriculture rather than pursuing the "company + farming" household model any further when seeking to promote the management of agricultural industrialisation and organisational innovation in farming.

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