

# Commercialization of Food Consumption in Rural China

## Introduction

---

Many analysts anticipate that changing food consumption patterns in China will create new export opportunities for U.S. food and agricultural products (Hsu, Chern, and Gale). Much of the attention is focused on changes stemming from the emerging consumer class in China's cities, but a careful assessment of China's food and agricultural markets requires an understanding of changes in rural food consumption patterns.

Rural residents make up the majority of China's population, and their food consumption patterns differ sharply from those of urban residents. The rural population—historically about 80 percent of the country's total but now just over 60 percent—has historically been isolated from the urban economy, mostly engaged in semi-subsistence farming. With relatively little cash income available, rural families traditionally have consumed mostly food they have grown themselves. Consumption of self-produced food is a distinctive characteristic of rural food consumption and is often overlooked in analyses of China's food markets. Many analyses assume that all households purchase food with cash, when, in fact, much of the food in China is consumed on the farms by households who produce it.

Consumption of self-produced food remains prevalent in rural areas, but rural consumers are now purchasing more of their food. Since the 1980s, China has liberalized its agricultural economy, promoted interregional trade, and improved transportation, communication and market infrastructure, making it easier for rural residents to sell and purchase food (Gale; Gilmour and Gale). Increased rural-urban migration and income growth associated with off-farm work have given rural consumers increased purchasing power. China's rural population is now emerging as a vast potential market that is capturing the attention of retail businesses and product distributors.

This study investigates how food consumption and expenditure patterns of China's vast rural population are evolving in response to changes in the Chinese economy. A focus of the report is analysis of consumption of self-produced food by rural households, in particular, the degree to which rural consumers are shifting from reliance on self-produced food to purchased food as their cash incomes and expenditures rise. The report also examines rural household expenditure allocations among different food and nonfood categories and the household characteristics that influence such expenditure patterns.

This study analyzes patterns of food consumption and expenditure using data from the annual rural household survey conducted by China's National Bureau of Statistics (see appendix). The analysis uses both published and unpublished data to provide a glimpse of rural households that has not been

previously available. Rural food expenditure and consumption trends analyzed in this report cover the early 1990s to 2003, a period of rapid change and development of markets in the rural Chinese economy. Econometric analysis of household survey records from three Chinese provinces captures variations in expenditures across households at different income levels.