Chapter 4

Implications of Rural Food Commercialization

China’s rural population, numbering 700 to 800 million, is beginning to attract the attention of food retailers. Changing rural food consumption patterns will also have an effect on cropping patterns. As commercialization increases, more food will pass through markets instead of being consumed on the farms where it is grown. Increased consumption of purchased food is also altering the character of rural diets.

Emergence of the Rural Market

China’s rural population has long been ignored by food retailers but is now emerging as a viable market. Cash food expenditures by rural households in 2003 totaled over $50 billion. The rural market is beginning to attract the attention of retailers and product distributors who are encountering intense competition for urban Chinese markets. As rural food consumption continues to commercialize, more food will pass through markets, more food will be processed, and more value will be added to food products through distribution and marketing. This, in turn, will create many new market opportunities in food processing, marketing, and retail. In recent years, supermarket chains have opened outlets in rural areas, and the Chinese government is actively encouraging the development of rural retail networks, including the transformation of rural market fairs into modern supermarkets.

Food consumed away from home is one of the fastest growing segments of rural household expenditures. Estimated expenditure elasticity of 1.5 suggests that 10-percent annual growth in rural household expenditures would increase away-from-home food expenditures by 15 percent annually. This suggests double-digit growth in restaurants, cafeterias, street vendors, and other food service establishments serving the rural population. Per capita expenditures suggest that rural households spend $9 billion per year on food away from home, and a 15-percent growth rate would generate more than $1 billion in annual growth for the rural food service sector.

Rural household expenditures on food consumed at home have grown more slowly than expenditures on other items, but income growth of 10 percent should lead to at-home cash food expenditure growth of about 7 percent, or more than $2 billion annually. Sales in rural supermarkets and convenience stores may grow in double digits as rural households shift their expenditures away from wet markets, roadside vendors, and informal exchange to modern food stores.

While China’s rural market is large, it is widely dispersed over 31 provinces, more than 2,000 counties, and 700,000 villages. Commercialization of food is advanced in the rural areas of China’s east coast, but has
been slower in many poorer provinces of China’s hinterland. However, these regional differences are diminishing due to an array of factors, including construction of new roads, availability of automobile and bus transportation, dissemination of mobile phones, television, the Internet and other communications to rural areas, reduced barriers to interprovincial trade, the emergence of national retail chains, and government policy that encourages investment and economic development in central and western provinces.

**Adjustment in Crop Plantings**

As consumption of self-produced food declines in rural China, farms will devote less cropland to small-scale rice, wheat, and vegetable production for family subsistence. The freed-up cropland used for rice and wheat in coastal areas of China will likely be diverted to produce high-value commercial crops, such as vegetables, fruits, specialty crops, and concentrated livestock production. Grain production will likely become more concentrated on larger farms in central and northeastern regions of China that have a comparative advantage in producing grain. Greater consumption of livestock products will require either more land devoted to feed grains and oilseeds or greater imports of feed grains and livestock products.

Such adjustments are constrained by China’s land tenure system that features communal village ownership of agricultural land. Village authorities allocate small plots on an egalitarian basis to village members, who hold long-term leases on the land. Sub-leasing arrangements are possible in many villages, but land can only be sold by village authorities. The land tenure system ensures that nearly all rural households have enough land to grow their own food, but lack of land markets prevents structural adjustments from taking place.

**More Food Enters Markets**

Historically, the high rate of food self-sufficiency in rural China meant that most food never left the farms where it was grown. Rural household surveys indicate that only 25 percent of grain produced in 1985 was sold to markets, while 75 percent was consumed by farm families, used as feed or seed, or stored on farms. Most other food commodities were also primarily used on farms.

With rising productivity and declining consumption of self-produced commodities, a larger proportion of agricultural products are entering market channels. For example, rural household surveys indicate that the amount of grain sold per rural household member rose from 180 kg. in 1995 to 300 kg. in 2003, an increase of 120 kg., or 66 percent (fig. 9). In 1995, rural households consumed significantly more grain than they sold. In 2003, the proportions were reversed, as sales exceeded consumption. Marketings of other agricultural commodities also increased during this period. The rising proportion of commodities sold means that farmers are producing more for markets than for their own consumption.
Rising Calorie and Fat Intake

Many studies have suggested that a shift from small-scale subsistence farming to larger scale cash crop production in developing countries has a detrimental impact on the nutritional status of rural households by reducing their access to basic foods. However, the commercialization of Chinese agriculture has coincided with an improvement in calorie and protein intake (Lohmar), consistent with evidence from other developing countries presented by Von Braun. Food insecurity is now relatively rare in rural China.

Commercialization of food consumption may be a leading factor in the rapid increase in fat intake occurring in China and other developing countries (Guo et al.). The transition from food self-sufficiency to commercialization in rural China appears to be an important factor that shifts diets away from grain and vegetables to purchased foods including meats and restaurant meals that have a higher fat content. Obesity-related health problems are becoming more common in China, but they concentrated among the urban population. The fat content in the rural diet, while increasing, is still relatively low.