

The Development of Smallholder Inclusive Business Models in China

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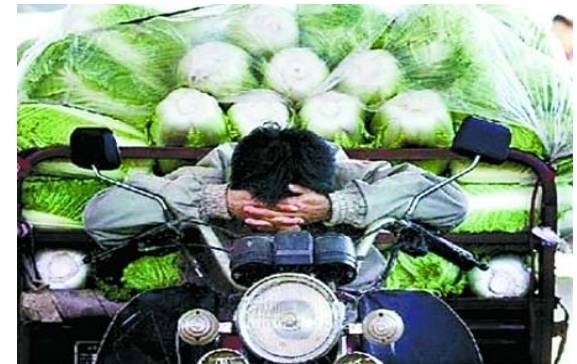
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Literature

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Focus

3



Global Food Studies

The new term

- The new term of “smallholder-inclusive business model”
- Different terms but similar contents

- Q1: How has the development of smallholder-inclusive business models in China been?
 - Key players
 - Benefit-risk sharing mechanism
 - Outcomes
 - Government policies
 - Leading agricultural companies
 - Farmers cooperatives



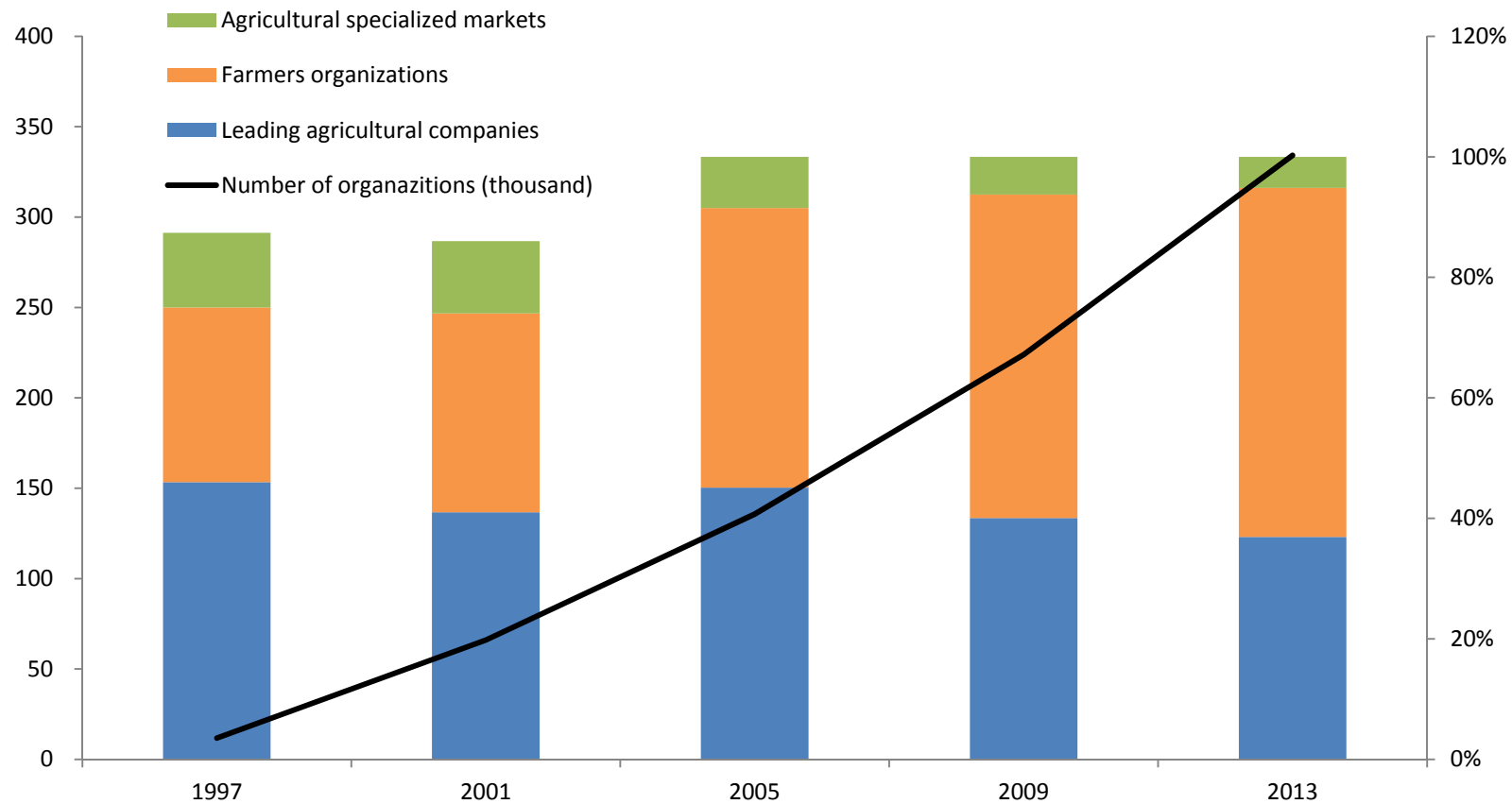
1. Key players

Organizations to integrate smallholders to markets:

- I. Leading agricultural companies
- II. Farmers organizations
- III. Agricultural specialized markets



Key players



Data source: China agricultural development report

2. Benefit-Risk sharing mechanism

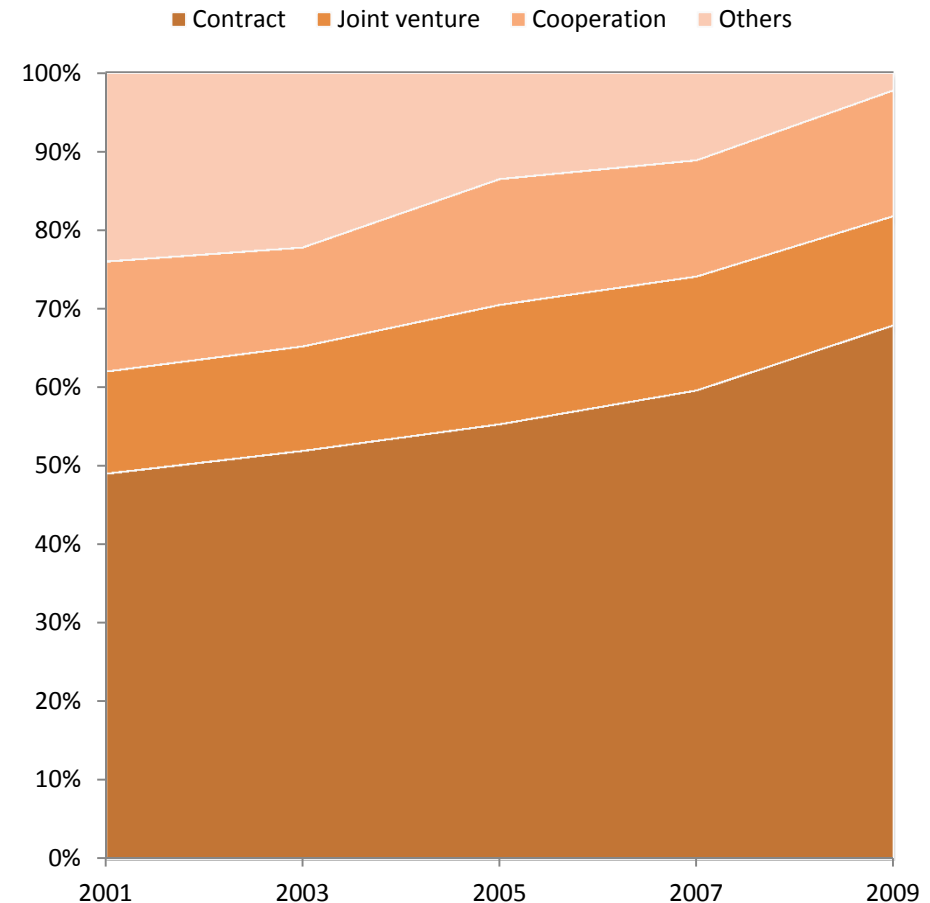
Mechanism to share benefits and risks between smallholders and key players

- I. Contracts
- II. Joint venture
- III. Cooperation



Benefit-Risk sharing mechanism

- Contracts are mainly used to link the smallholders and partners, and 46.4% of which were contract farming in 2009.
- 98% or above of organizations has formed partnership with smallholders using contracts, joint venture or cooperation in recent years.



Data source: China agricultural development report

Business model

Smallholder

Company + Smallholder

Company + Farmers
cooperative + Smallholder

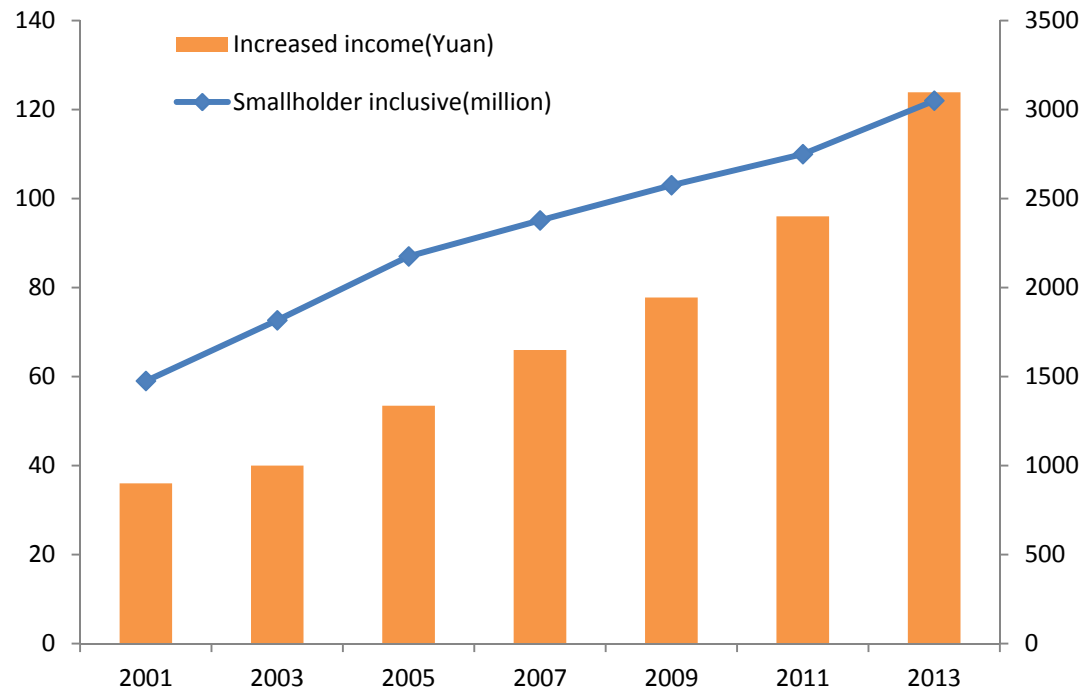
Farmers cooperative +
Smallholder

Market

- wholesale market
- supermarket
- consumer

3. Outcomes

Smallholder inclusive in the value chain



Data source: China agricultural development report

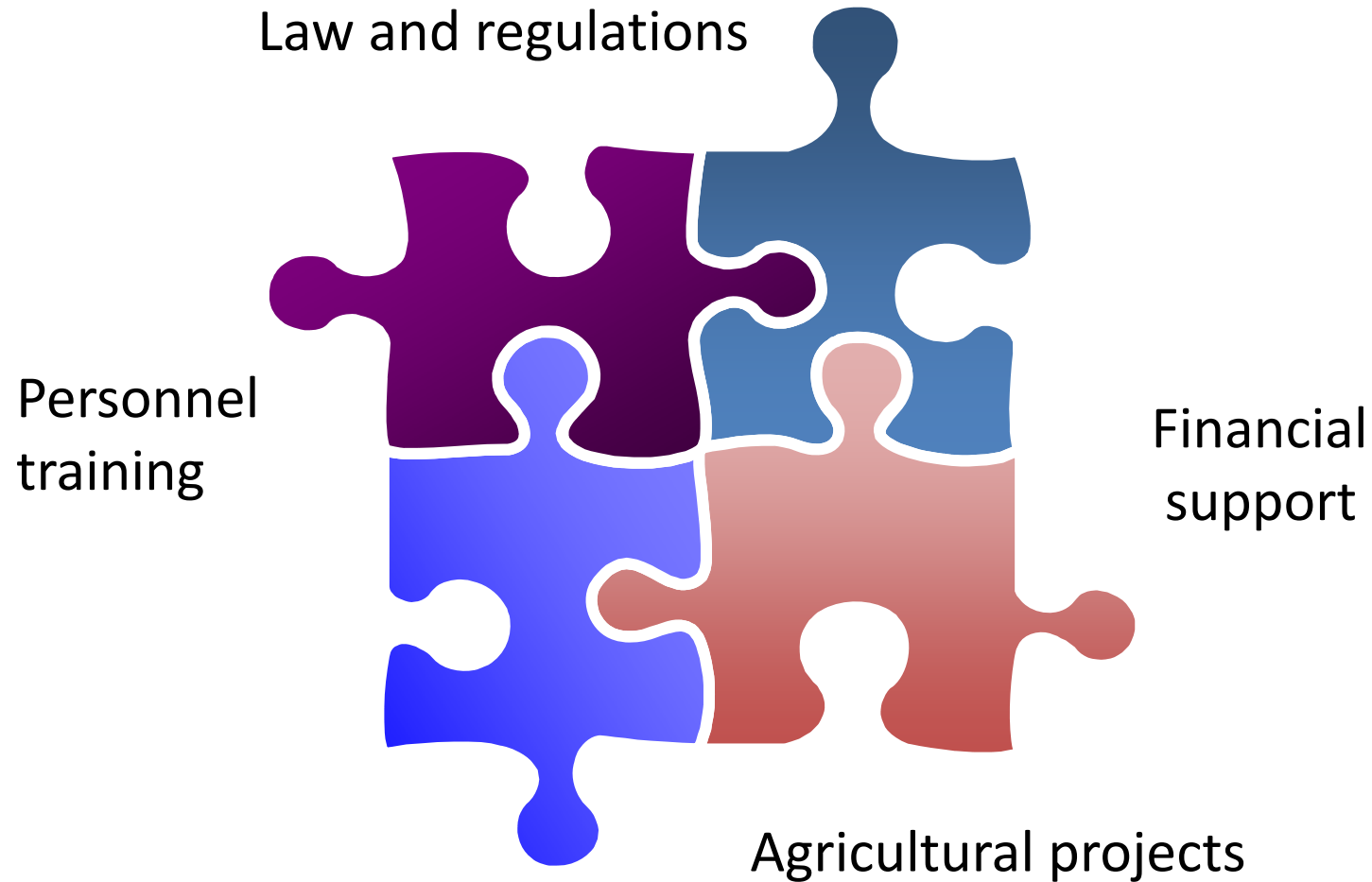


4. Government policies

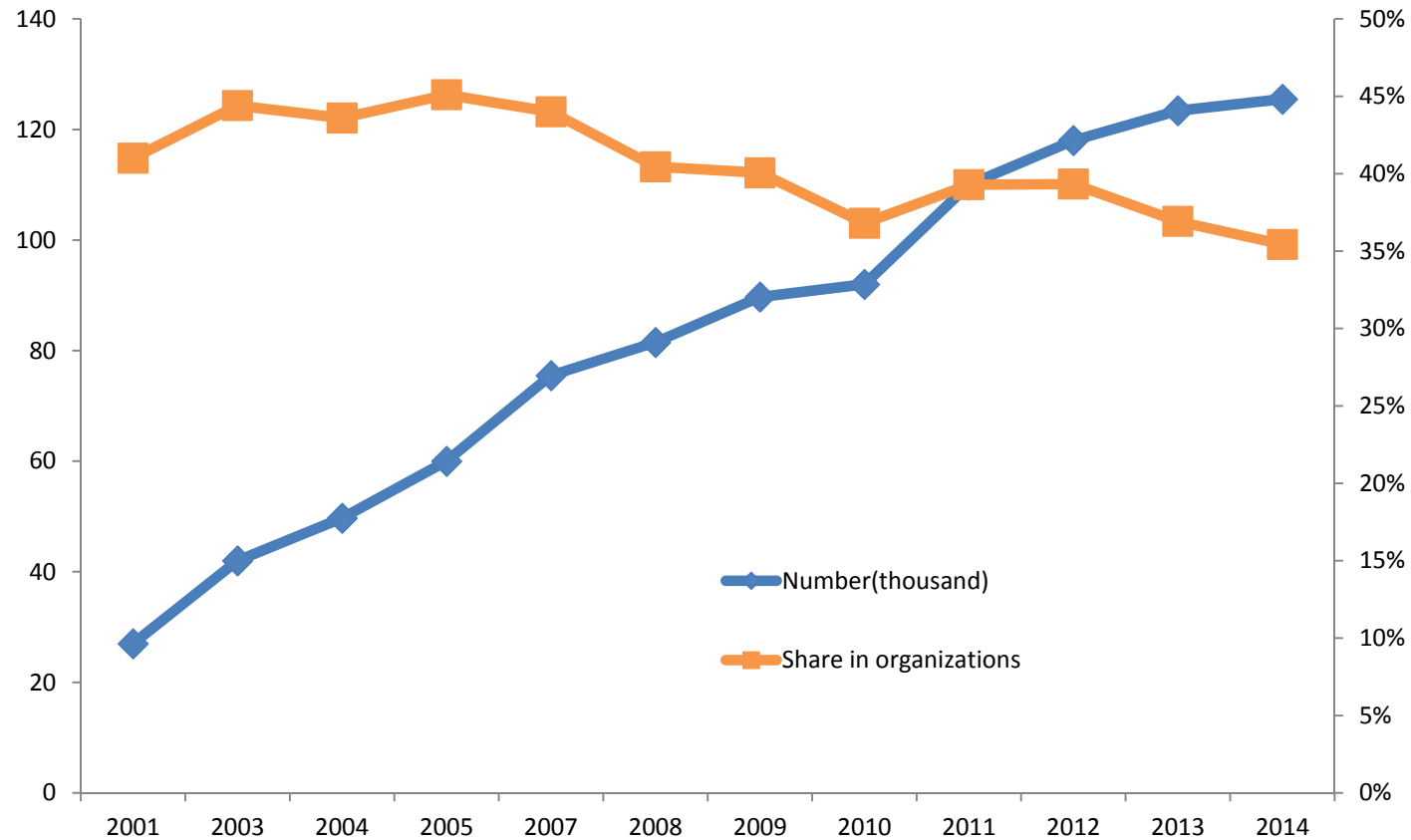
The government has attached importance to the development of smallholder inclusive value chain since it tried to find a way to help the smallholders integrate into the markets in the 1990s.

- The law on farmers cooperatives was promulgated in 2006 and came into effect in 2007.
- The first comprehensive policy guideline for supporting the development of leading agricultural companies was issued by the State Council in 2012.

Government policies



5. Leading agricultural companies



Data source: China agricultural development report

Leading agricultural companies

- Technology innovation
- Base construction
- Processing
- Marketing
- Export



Leading agricultural companies

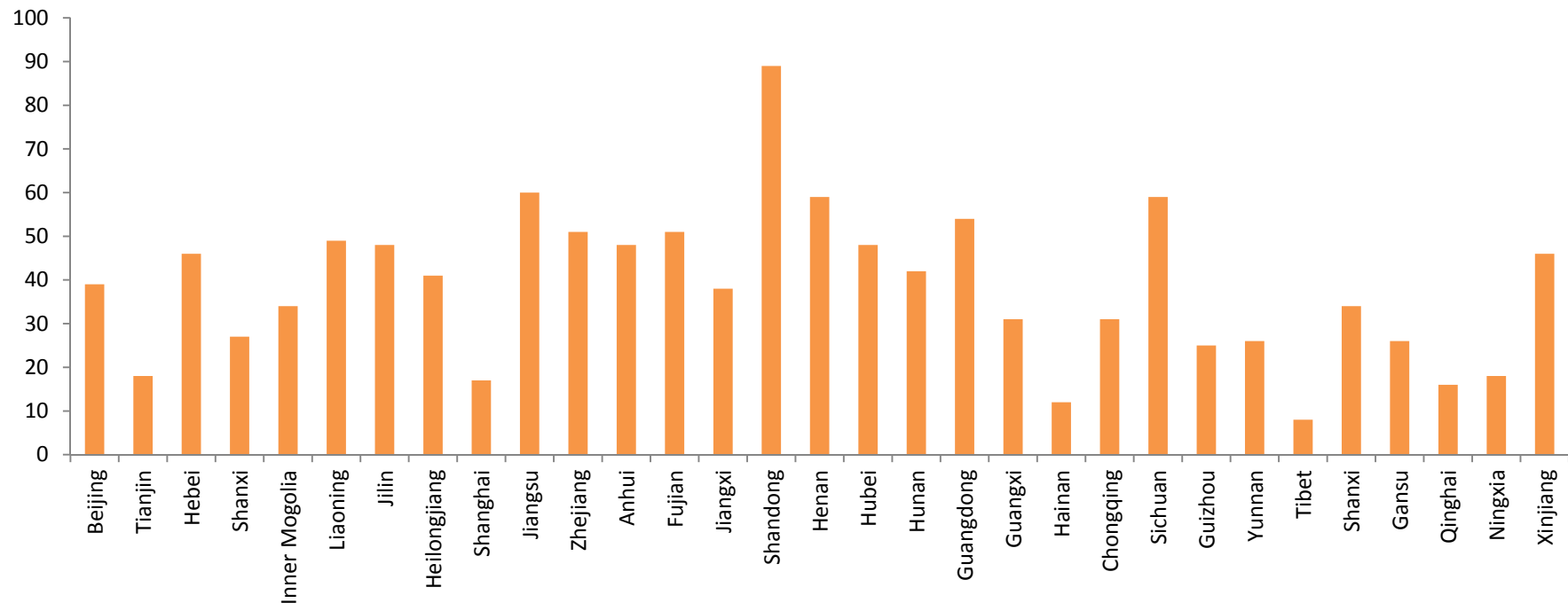
The general information of leading agricultural companies in 2013

R&D	Investment on R&D (billion Yuan)	58.732
	Personnel for R&D (num.)	870500
	Have R&D centers (num.)	16700
	Have awards from province or above (num.)	9958
Value added	Investment on base construction (billion Yuan)	385.809
	Total sales revenue (trillion Yuan)①	7.86
	Total value of purchasing agricultural raw materials (trillion Yuan)②	3.41
	Ratio of ① and ②	2.3:1
Quality	Investment on quality testing, quarantine and certification (billion Yuan)	37.161
	Have quality system certification	30800
	Have famous brands	12400

Data source: China agricultural development report

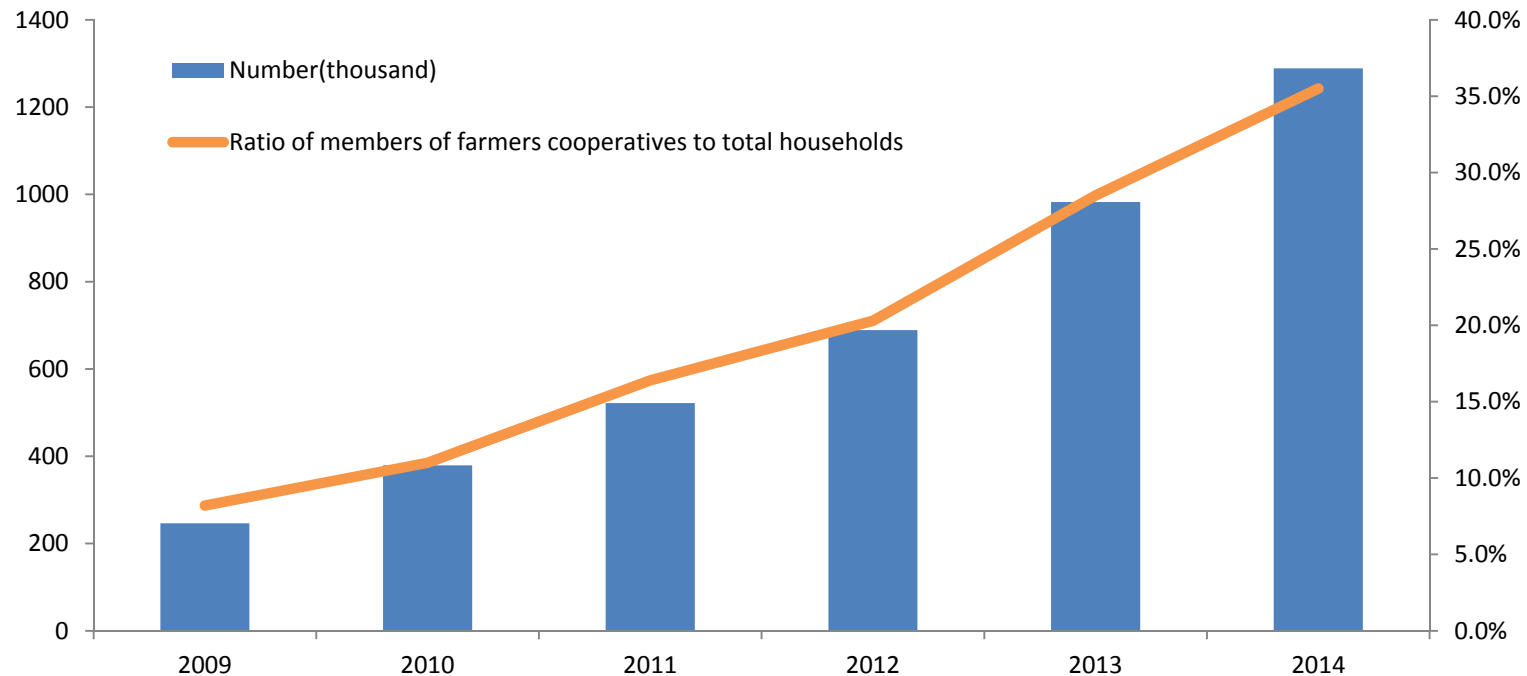
Leading agricultural companies

- Eligible national key leading agricultural companies after sixth monitoring



6. Farmers cooperatives

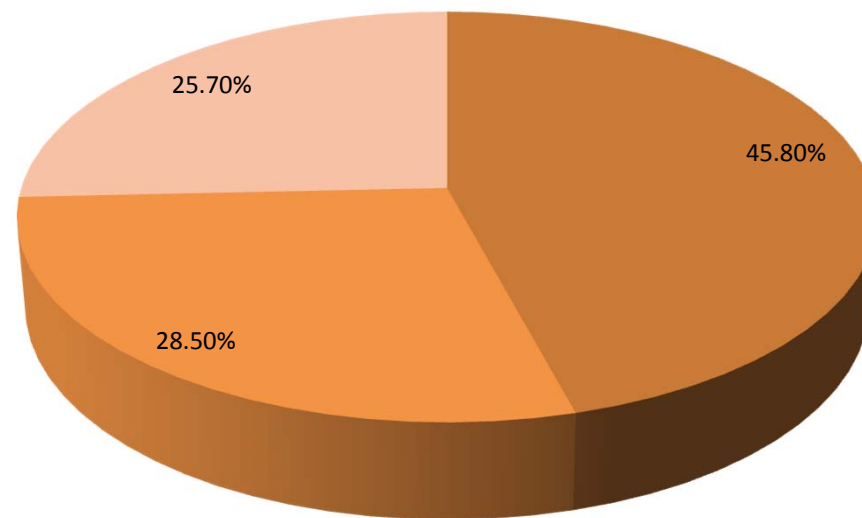
- Farmers cooperatives registered in industrial and commercial department



Data source: China agricultural development report

Farmers cooperatives

- Farmers cooperatives have covered main agricultural products such as grain, cotton, oil, meat, egg, milk, fruits, vegetable and tea, and gradually extended many other fields including machinery, plant protection, folk handicraft and agro-tourism.
- However, the fields are relatively concentrated on crop farming and breeding industry, and their shares were 45.8% and 28.5% respectively in 2012.



■ Crop farming ■ Breeding industry ■ Processing+Service industry

Data source: China agricultural development report

Farmers cooperatives

- Vertical and horizontal coordination
- Standardized, intensive, specialized and branding production
- Farmers income increased
- Strengthened cooperation awareness



Farmers cooperatives

- Land transfer into farmers cooperatives: **4,600,000** hectares, accounted for **20.4%** of total area of land transfer

- Has standardized production: **65,000**
- Has trademark register: **60,000**
- Has quality certification: more than **30,000**

- Machinery cooperatives: **41,000**
- Members: **1,520,000**
- Land area: **8,000,000** hectares
- Services for households: more than **45,000,000**
- Services for land: **50,000,000** hectares, accounted for **13%** of total machinery service area

The general information of farmers cooperatives in 2013

Data source: China agricultural development report

Topics

- Q2: Has there been much research on this topic? And has the literature review covered key aspects?
 - Literatures (paper number)



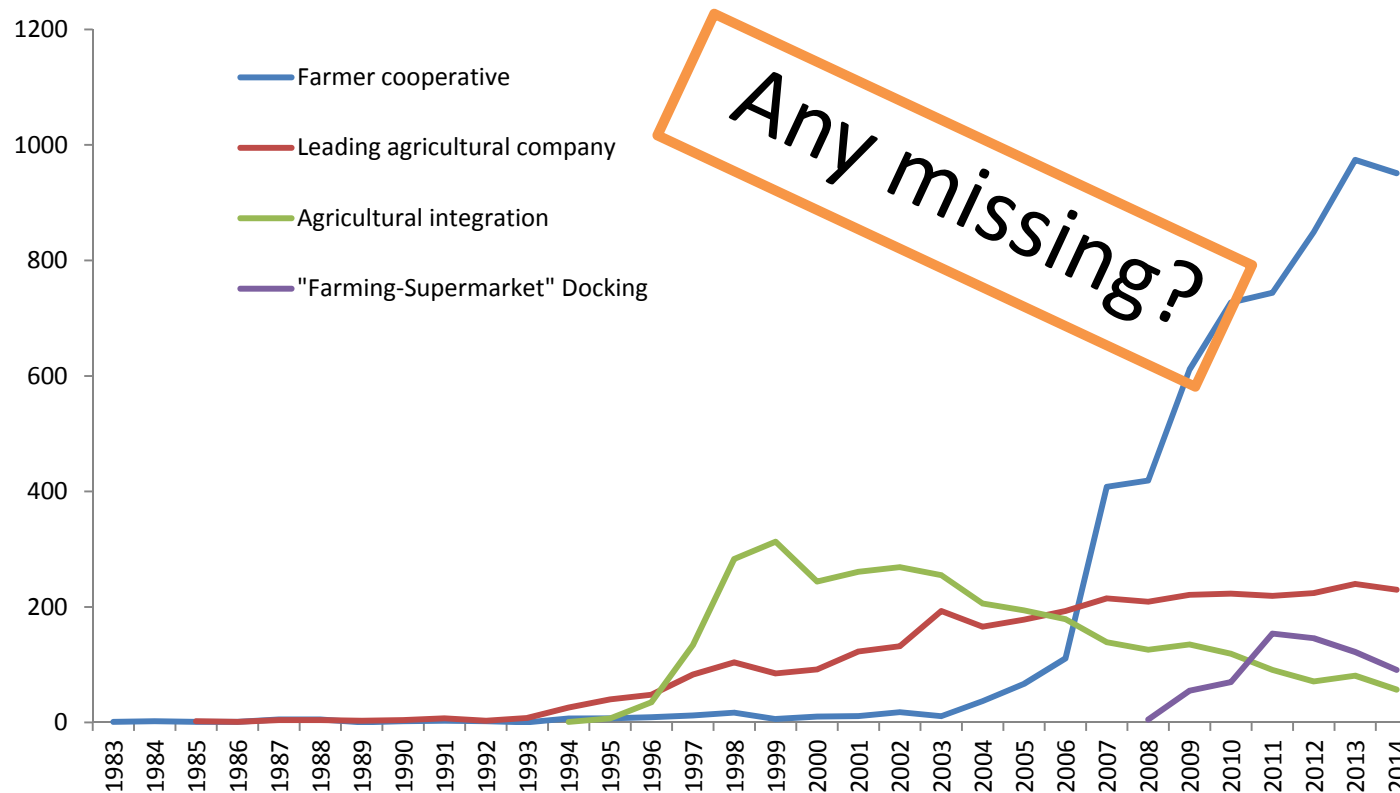
7. Literatures

There have been a lot of studies on smallholder-inclusive value chain but with different “key words” contained in the titles.

- I. Agricultural integration
(vertical and horizontal coordination)
- I. Leading agricultural company
- II. Farmers cooperative
- III. Farming-Supermarket Docking

Papers number

- Papers number in the journals of CNKI with different “expressions” contained in the titles



- Q3: What sector would you focus on your case studies?

–Priority



8. Focus sector

Our team would like to focus on the livestock sector in our case studies based on the knowledge about meat industry and earlier studies on beef value chain.

- I. Dr. Nie is an expert in meat value chain analysis
- II. Our team participated in the agricultural research on beef value chain in 2015.

pork sector

	Output* (million tons)	Per capita consumption of urban residents** (kg)	Per capita consumption of rural residents ** (kg)	Exports* (million tons)	Imports* (million tons)	Price* (RMB/kg)
2001	40.52	15.95	13.35	0.17	0.20	10.26
2003	42.39	20.43	13.78	0.31	0.31	10.48
2005	45.55	20.15	15.62	0.39	0.20	12.09
2007	42.88	18.21	13.37	0.27	0.47	16.77
2009	48.91	20.5	13.96	0.18	0.53	15.87
2011	50.53	20.63	14.42	0.19	1.35	22.87
2013	54.93	20.4	19.1	0.17	1.40	21.04

Data source: * come from "China agricultural development report" ; **come from China statistical yearbook

Beef sector

	Output* (million tons)	Per capita consumption of urban residents** (kg)	Per capita consumption of rural residents ** (kg)	Exports*** (1000 tons)	Imports*** (1000 tons)	Price* (RMB/kg)
2001	5.086	1.92	0.55	21.33	3.86	13.04
2003	5.425	1.98	0.5	8.87	8.14	14.72
2005	5.681	2.28	0.64	19.11	1.14	16.1
2007	6.134	2.59	0.68	28.34	3.64	19.77
2009	6.355	2.38	0.56	13.40	14.16	29.09
2011	6.475	2.77	0.98	21.98	20.16	33.42
2013	6.73	2.2 ^①	0.8	5.87	294.22	51.71

Data source: * come from “China agricultural development report” ; **come from China statistical yearbook; *** come from UN Comtrade

Note: ① for the third column, the statistical entry in 2013 was different from those in other years.

Thank you for your attention!