

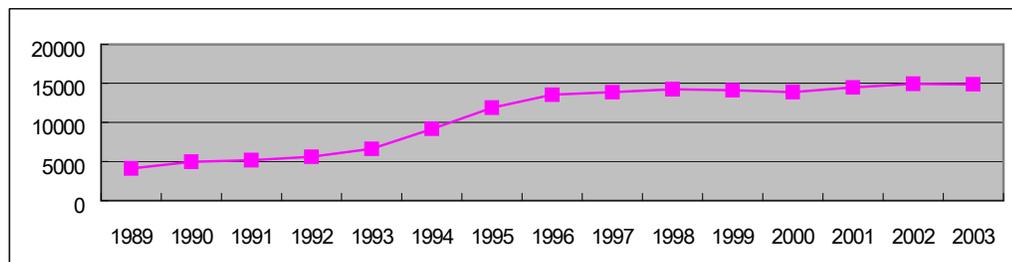
China's Agriculture, Rural Areas and Farmers

I. Background

Since the reform and opening in 1978, China's agriculture, rural areas and farmers have undergone substantial growth. The production capacity of grains and most produces rose dramatically. The total output of major produces ranked among the top few in the world and the output per capita has reached or exceeded the world's average. Thanks to sufficient supply, the market has changed from long-term shortage to overall balance between supply and demand.

First, the produce acreage and grain acreage remained stable and the total agricultural output value increased slowly (Figure 1). In terms of output, the annual grain output of China remained at approximately 400 million tons in the last 20 years (Figure 2). The increase in output was due to the series of reforms in China's rural areas as well as enhanced agricultural technology, improved equipment and better technological and production conditions. According to statistics, there were over 20,000 award-winning agricultural sci-tech results including 773 results that have won national awards since 1988. The total agricultural machinery power, an indicator that reflected the agricultural equipment level, continued to rise since the reform and opening policy was first adopted. It rose from 117,499,000KW in 1978 to 603,865,000KW in 2003 (Figure 3).

Figure 1 Total Agricultural Output Value of China (RMB100 million)



Data source: China Statistics Yearbook, various years.

With the growth of agriculture, the life of farmers has been improved greatly. The net household income per capita in rural areas has been on the rise since the end of 1980s, but the

growth rates differed over the years. In the last two years, the growth rate of net household income per capita in rural areas increased, but its gap with the urban household disposable income per capita widened (Figure 4).

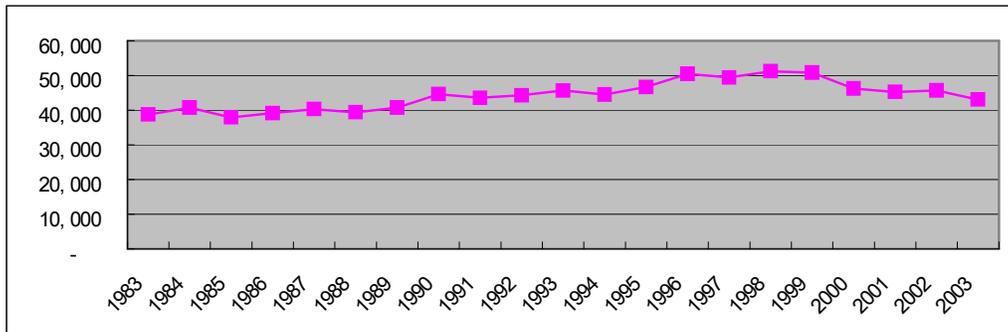


Figure 2 Total Grain Output of China (10,000 tons)

Data source: China Statistics Yearbook, various years.

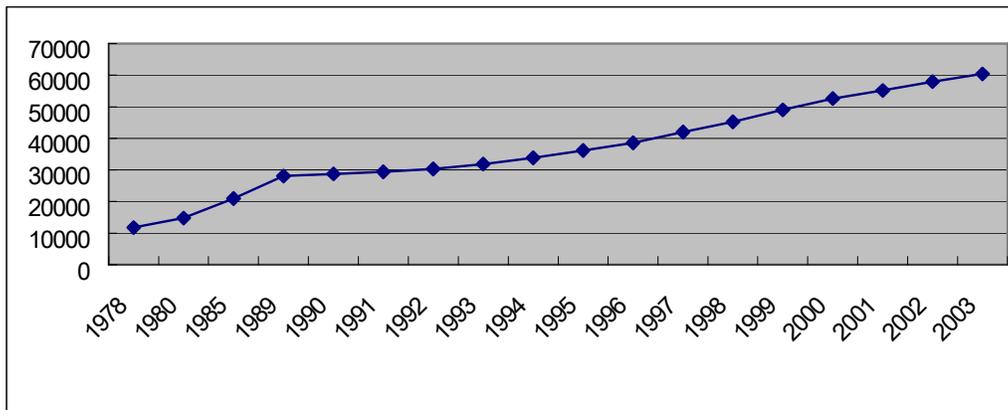
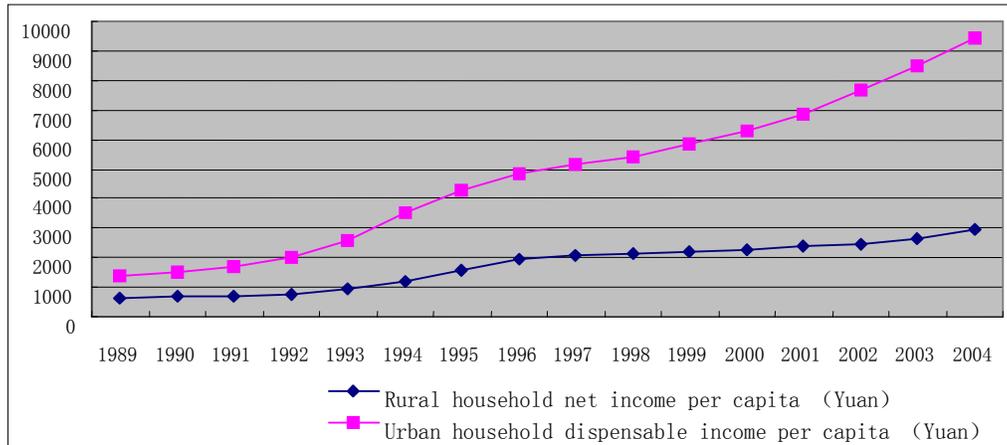


Figure 3 China's Total Agricultural Machine Power (10,000KW)

Data source: China Statistics Yearbook, various years.

Figure 4 China's Household Income Per Capita



Data source: China Statistics Yearbook, various years.

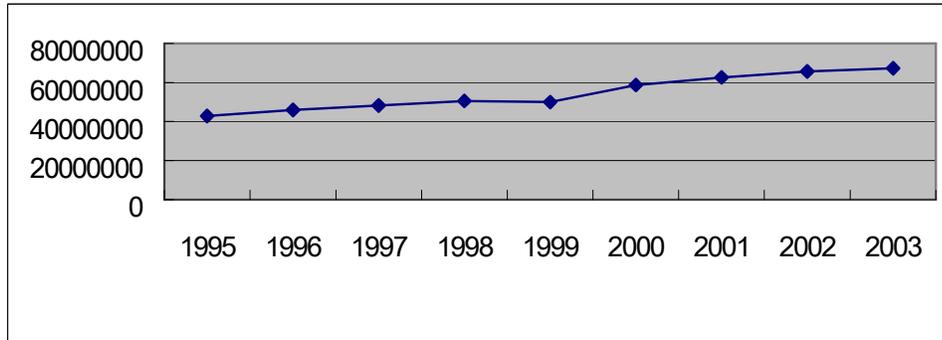
With the growth of income per capita in rural areas, the impoverished population in China's rural areas declined substantially. In 1978, over 250 million farmers were under the subsistence level, accounting for 30.7% of the rural population. In the 1980s, due to the economic growth of rural areas arising from the economic reform in rural areas and the introduction of all types of poverty alleviation policies in the 1980s, the impoverished population in China's rural areas declined substantially. The impoverished population declined from 250 million in 1978 to 30 million by the end of 2000. The percentage of impoverished population in the total population in rural areas dropped from 30.7% to approximately 3%. Into the 21st century, the impoverished population in China's rural areas further declined from 29.27 million at the end of 2001 to 23.65 million at the end of 2005.¹

The other two indicators of rural society development were inconsistent. In terms of medical conditions, the number of beds in county and town clinics continued to decline from 1.24 million in 1983 to 1.015 million in 2003. But the number of beds in city hospitals increased over the years from 869,000 in 1983 to 2.15 million in 2003. This meant that the average distance that Chinese farmers had to cover to go to hospital increased and the concerned costs also climbed up. However, the education conditions in China's rural areas have been improved. Although the number of county and town schools declined, the number the students at county and town schools rose from

¹ Data on poverty population come from <http://www.help-poverty.org.cn/>.

42.869 million in 1995 to 67.302 million in 2003 (Figure 5).

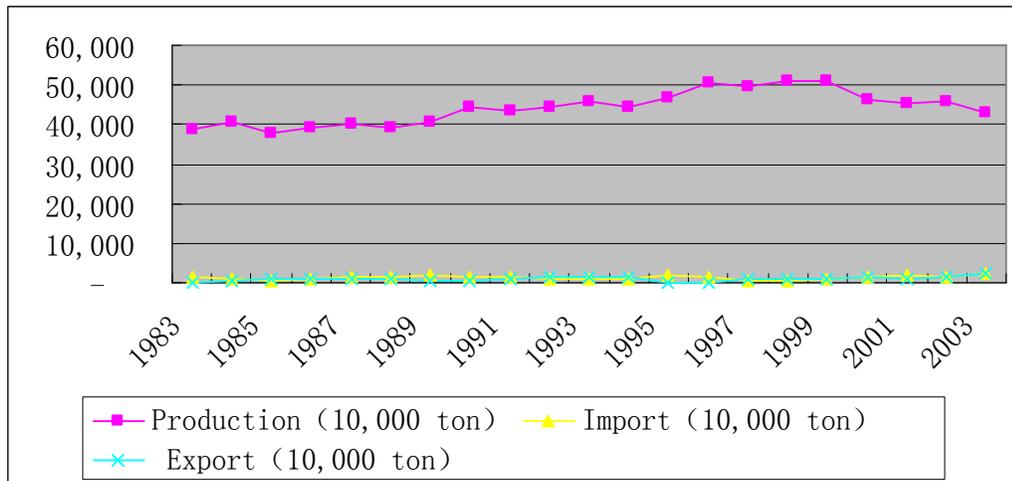
Figure 5 Number of Students at County and Town Schools in China's Rural Areas



Data source: China Statistics Yearbook, various years.

However, on the other hand, the import and export of grains in China lagged behind the overall opening of the whole country and the rapid growth of the trade of industrial products. In the last 30 years, the percentage of China's grain import and export over the years in the total grain output remained under 1% and rarely changed (Figure 6).

Figure 6 Production and Foreign Trade of Grains in China



Data source: China Statistics Yearbook, various years.

II. Profiles of Heilong Town of Qingshen County of Sichuan Province and Yuchangping Town of Wangcheng County of Hunan Province

Heilong covers 32.8 square km and has 21 administrative villages, one community, 8,111 households and 29,337 people. It is 60km from Chengdu, the provincial capital of Sichuan Province, and 20km from Meishan, a tourist city. Although all villages in the town have access to cement roads, there is no provincial highway, state highway or railroad passing through the Heilong, except for a stretch of Meiqing Highway.

Heilong Town has 16,500 mu of cultivated land. The major produces are rice, corn, wheat and canola. In 2004, the town harvested 4,400 tons of rice from 8,000 mu; 58,400 tons of corn from 14,000mu; 400 tons of tobacco from 2,000 mu; 240 tons of wheat from 1,200 mu; 1,225 tons of canola from 7,000 mu; and some vegetable from 4,000 mu. The produces are mainly sold to grain processing enterprises through orders. Apart from cultivation of crops, the raising of livestock also plays an important role in Heilong Town. In 2004, the town raised 25,000 pigs (twice than that of 10 years ago), 380,000 small poultry (50% more than 10 years ago), 300 meat cows (10 times than 10 years ago), over 100 tons of milk cows and 2,800 meat sheep. The livestock products were sold to residents of the town and large meat processors.

Growth crop and livestock cultivation was the result of the staunch support of Qingshen County Government to agricultural science, technology and education. Heilong Town set up town agricultural technology station, agricultural service center and adult education schools, provided guidance in agricultural science and technology by means of on-the-spot lectures and class-room trainings as well as the display of audio-video information and the distribution of sci-tech information, helped farmers to grasp the latest scientific methods and realized high output and high efficiency in agriculture.

Heilong Town is also one of the key industrial towns of Sichuan Province. The town has nearly 40 enterprises mainly involved in agriculture and the production of industrial machinery and equipment, daily chemical products and art works. The annual industrial output is

approximately RMB300 million. 20 years ago, Heilong Town had no industry, but a few agricultural machinery workshops and its industrial output was only a few million. In recent years, the Heilong Town Government noticed the rapid growth of industry and the comparative sluggishness of agriculture. It paved the roads first and attracted enterprises with favorable policies. It tried to promote the growth of local economy and people's living standards with industrial growth. The leaders of Heilong Town Government also said that, since the rural areas were relatively enclosed and underdeveloped and the agricultural growth lagged behind industrial growth, Heilong Town had to focus on the industrial investment and growth in the next five to 10 years if the town wished to maintain rapid growth rate.

At the same time, since the income from agricultural production was very limited, a large number of labors in Heilong Town, like many of their counterparts in the rural areas of central and western parts of China, looked for employment elsewhere. In our interviews in Heilong Town, we mostly talked to elderly people, women and children. The people in the town said that, in order to give their families better lives and support elderly people and children, most of the young labors of the town looked for jobs elsewhere. In 2005, the number of people working elsewhere was approximately 8,000, or 28% of the total population of the town. Wherein, about 5,000 people worked in Qingshen County. Those people worked for 10 months every year and returned home only for the Spring Festival. Most of those people worked in construction and export processing industry. They normally returned with some savings.

However, the annual income per capita of Heilong Town was only RMB3,074 in 2004, twice than that of 10 years ago. But the growth rate was much lower than that of urban income per capita. If without the income of those migrant workers, the lives of people in Heilong Town would be even worse.

In terms of medicare and primary education, Heilong Town has two hospitals and 21 village clinics. Its medical conditions, equipment, technology and medicines are very limited. The whole town has two middle schools and two primary schools. It popularized nine-year compulsory education in 1995 and the education conditions have been gradually improved. Since 1995, the enrollment rate and graduate rate of primary schools have remained 100%. However, 10 years ago,

the enrollment rate of junior middle schools was below 50% and the graduation rate was only 10%. Now, the two rates are both 100%.

The leaders of Qingshen County said that their biggest problem was the lack of money and talents. The county government owed RMB4.5 million. If it failed to pay off the principle and interests, it would affect the security and social stability of the town. Besides, the government doesn't have enough money to build and improve the infrastructure for industrial and agricultural development, service facilities or other public welfare facilities. This will hinder the long-term stability of the local economy.

Yuchangping Town of Hunan is similar to Heilong Town of Qingshen County of Sichuan. It is only 35km from Changsha, the capital of Hunan Province. It covers an area of 883.7km² and has 23 villages and a total population of 35,100. Its major crops include rice, sweet potatoes, wheat, potatoes, yams, vegetables, etc. Livestock cultivation grew rapidly in the last 20 years. In particular, the output of sheep and fish rose dramatically. Differently from Heilong Town, the crop and livestock cultivation products of Yuchangping Town are mainly sold to neighboring markets.

But, the industrial development of Yuchangping Town lags behind that of Heilong Town. Although the products are mainly for sale, the income from produces is very limited since the prices of produces in the domestic market are pretty cheap and there are no export channels. Due to the lack of industrial production and low sales prices, the income per capita of Yuchangping is lower than that of Heilong. 10 years ago, the residents of Yuchangping Town live on crop cultivation, working elsewhere and small business. Their income per capita was RMB1,852, higher than Heilong Town. But in 2005, the income per capita of Yuchangping was only RMB2,732, lower than that of Heilong.

Apart from agriculture, many young labors in Yuchangping also go out to work. 20 years ago, few people went out to work; 10 years ago, the number rose and most of those people were middle-aged men and single men, who worked in construction in Changsha and Guangdong. They normally remitted their earnings back home. Now, most of the people working elsewhere are

better educated. They mainly work in companies or do business in large cities like Changsha and Guangzhou and a few work as laborers. They normally remit their earnings back home.

In terms of medical care and education, Yuchangping has 25 village clinics and two town hospitals in 2005. The town hospitals can treat some normal diseases and carry out some small operations. 20 years ago, villagers normally paid for their own medical expenses. 10 years ago, although people still paid their own medical expenses, they more frequently went to town hospitals. Now, the cooperative medical reform in rural areas has been carried out. However, since the town is so close to Changsha, some villagers prefer to go to large hospitals in Changsha. Yuchangping not only improved its medical conditions, but also provided better education to its villagers. The average education level was promoted from primary education 20 years ago to senior high school and secondary technical school now.

After our visits to the two towns, we found a common question. Although the country repeatedly advocates and encourages insurance at the grassroots of rural areas, few farmers actually purchase insurance because they lack the sense of insurance and earn little. As a result, the farmers of both towns complain about high medical expenses and their heavy burdens in case of any emergency.

III. Investigation on farmers

We paid visits to farmers in the two towns and found out that they can be categorized into three types.

In the first type of families all the family members stay in the town and nobody go out to work. A five-member family in Heilong Town is a typical example. This family has two elderly people, a middle aged couple and a senior three student. The two elderly people cannot work. The middle-aged man works in the county and the middle-aged woman takes care of all the housework and work in the fields. Their house was built in 1988 when they didn't have a child. At that time, the family had four labors and their life was relatively well off. They spent approximately

RMB6,000 to build three brick houses with a total space of 100m², 100m² courtyard and 20m² pigpen. The house was pretty good when it was first built. Now, the elderly couple are too old to work and the expenses on the child increase. The family cannot make ends meet and thus doesn't have enough money to repair the house. Their house now looks dilapidated and their only home appliances are a TV and a telephone.

This family has seven or eight mu of land and they mainly cultivate paddy rice. The annual output is about 500kg. If the market price is RMB0.7/500g, their annual output value is RMB700. But most rice is supplied as food. Besides, they also plant some canola with an annual output value of about RMB300. They plant a few oranges this year, but have no harvest this year because it is the first year. This family also raised five or six pigs and this gives them an annual income of RMB1,000. Also they have some chicken and ducks that supply the family with eggs. However, with crop and livestock cultivation, the family can simply support themselves and cannot afford the tuition of the kid, let alone medical treatment. Therefore, the family is heavily dependent on the income from the middle-aged man who works in the county. Normally, the man goes to the county after harvest. He works in the county for eight or nine months and earns about RMB7,000. However, it is risky to work outside. The man has been wounded for severally times and his fingers and waist have all been wounded. But since migrant workers don't have insurance, they normally lose their jobs as well as all the earnings once they get hurt.

The major expenses of the family include the expenses of their senior-III child apart from those daily expenses. The tuition each semester is RMB3,000 and the living cost is RMB200/month. In consideration of these expenses alone, the kid cost RMB7,000 a year, or all the earnings of the man who works outside, to go to school. Therefore, the family worries about how they can pay for the college tuitions and the more expensive living costs in cities.

In the second type of families, there are only two parents and a kid. The two parents are between 20 and 30 and the kid is small. The husband works outside the province and the wife and the kid stay at home. A family in Yuchangping is a typical example. The family built their house in 1997, which still looks new. They have many home appliances like TV, VCD, fans, washing

machines and telephones.

Since they don't live with their parents, their income doesn't depend on agricultural income. The family has only three mu land and plants rice and some vegetables. They also raise a few pigs. But all those are raised or planted for themselves. However, since the family lacks enough labors and has to hire people to harvest crops in the busy season. The husband works in Tibet. He works outside for about six months and earns about RMB6,000. The kid goes to kindergarten at a cost of RMB1,000 per year. Therefore, if without much contingent cost, the family can save as much as RMB1,000-RMB2,000 per year.

In the final type of families, all the family members stay at home, but they are better educated. In Heilong, a family has four members, including a young couple and the wife's parents. The wife's father used to be the Party Secretary of the village. The young couple teaches in the town primary school. Their annual income is between RMB15,000 and RMB20,000 and they have all types of social insurance, including medical insurance and housing public accumulated funds. Both parents can work in the fields. They have four mu of land and mainly plant oranges and rice. Rice is reserved for their own use and they also need to purchase food. Their agricultural income mainly comes from oranges. Such income normally amounts to RMB4,000 per year. They also raise two pigs and a few chicken and ducks for themselves. Their house was built in 1985. They have 300m² black-brick houses and a 100m² courtyard. The family has all types of home appliances, including color TV, refrigerator, telephone, fans, drinking machine, etc. They are a comparatively rich family.

IV. Summary

After 20 years of reform and opening, China's economy has achieved significant results with the reform and opening of the country. Income per capita increased substantially and the impoverished population has been reduced dramatically. However, while the economy grew and the average income increased, the gap between the income of urban residents and the income of villagers in rural areas and the gap between the average income of coastal areas and the average

income of hinterland widened. Thanks to convenient transportation, sound software and hardware and more openness to the outside world, coastal regions and large cities are active in foreign trade, attract more foreign investment and maintain rapid economic growth and technological advancement. However, the rural areas in the west are relatively enclosed and China's agriculture is less export oriented. So, they receive little benefit from the opening. Although their absolute income increased over the years, the problem of relative poverty becomes more serious compared with coastal regions and cities.

Let us take the two towns as an example. Compared with 10 years ago, the living standards of the farmers of two towns improve greatly. Economic crops have replaced the traditional grains. The oranges are purchased, packed and delivered to elsewhere in boxes. The sales of oranges are the major income of local farmers. Another important reason is that the education level of the farmers of the two towns has improved and the number of migrant workers also rose. The income from those better-educated migrant workers now becomes the major income of local households. Besides, the exemption and reduction of rural taxes, capital and technical support to poverty-stricken regions and the investment in the infrastructure of rural areas and agriculture are all based on the economic growth and income increase promoted by trade and opening. Therefore, China's rural areas and agriculture indirectly benefit from the reform and opening in the last 20 years.

In our interviews, county and town leaders and farmers said fewer people will go out and work, the families and the society in rural areas can be more stable and the average income of local residents can be increased substantially if the agricultural operations can be more open and advanced, more processing plants are established and more products are sold to other provinces and even other countries. In case the local economic growth meets great difficulty and any policies or other methods can divert migrant workers from the county and Northwest China to the more export-oriented and more profitable coastal regions, migrant workers can earn higher salaries, receive more technical training and have more promotion opportunities. They may finally say farewell to manual labors.

In general, the rural areas in West China are relatively enclosed. They are not integrated into the success of the overall reform and opening of the Chinese economy and fail to benefit from the international market directly. Therefore, the income of villagers grows very slowly. In order to increase the income of villagers, we should make full use of China's favorable trade conditions and participate in the export of goods with high added value such as the export of fruits or export-oriented processing industry. In order to achieve the above goals, we need to create favorable conditions to free the concepts of farmers in the rural areas in West China and the government should promote the formation of favorable trading environment, such as investment in highways, railways and other infrastructure so as to connect the rural and urban areas and lower transportation costs. Finally, in order to deliver China's produces to the international market, we need to forcefully promote agricultural science and technology, improve the quality of produces, make exported produces satisfy the international standards, reduce the influence of the increasing non-tariff barriers on produces and thus benefit the rural areas from opening and trade.