China Rice Industrial Economy: the market and the cooperative

Presented by Dr. Yang Wanjiong; Date: 2014/05/15

In China, the majority people have less land. Rice industry is important for national determination on food security. Historically, China has entered to transition era and expand marketing, livelihood development consider to food security. However, farmers has only 0.5 ha of rice field. They attempt to change rice production from small scale to industrial scale to anticipate single market in the world.

The evidence shown that the total area of rice field is 960 million km². Rice consumption increase from 46.35 million ton/year to 146 million ton/year in the period 1977-2013, which average grew 91.32 ton/year during 1977-1979 and increase to 143 ton/year during 2011-2013. Thus, average growth of rice composition reach to 123.21 million ton during 37 years or 1.33%/year. In other hand, per capita per year rice consumption raised to 98 kg/year in 1984 from 50 kg/year in 1961. China Government expect that rice consumption will be 76.6 kg/capita in 2012. Recently, China rice market decreased from 70% to 20% after this country joint World Trade Organization (WTO); in contrast the price of rice extremely increased from 218 yuan/ton in 1978 to 2,761 yuan/ton in 2012 in level of production.

China Government decided to take high global price of rice in single market through cooperative development. As well known, cooperative has an important role for rice industry in China. It started establishment in 2001, more developed after 2007, and mature in 2012. According to modern business development, Farmer Cooperative is one of 4 type in China and it has grew up rapidly. There are 911 thousand FC registered legally until September 2013, which have 68.38 million members or 26.3% of total farmers. Mainly, FC has had public services and marketing function. To supported these function, China Government has taken over in grain industry cooperative. Now, public services cooperative has started to develop to anticipate the single market. China Government has also integrated grain industry and modern rice market system. As consequence, FC followed this policy to industrialize rice production which combine market mechanism system and strong incentive of government.
Two efforts were promoted for public services of rice cooperative. First actions were done by China Government as follow: specialized rice cooperative (Xiang Sheng), development production zone, focusing on large scale farmers (more than 100 members), provision incentive or grand investment by government (30-40% of investment), market vertical integration. Second action refer to technology and intensification, such as: agri-mechanization cooperative (Zhejiang Province), development 173 ha and would expand to 1,600 ha of rice land, development of big scale industry, put machine as a vital role in all process of production.