

# **Industrialized Operations of China's Agriculture**

Zhen Zhong

Assistant Professor

School of Agricultural Economics and Rural Development

Renmin University of China

Recently, China's agricultural industrialization maintained a sound momentum of rapid development, with accelerating industrial transition and continuous institutional innovation, making a positive contribution to economic stability and growth, structural upgrading and reforms in rural areas. By the end of 2013, the number of organizations involved in industrialized agricultural operations reached 334,100, up by 8.2% annually, drawing 122 million rural households, up by 3.8%, to engage in related business, with their average annual income up by 3,097 yuan or 10.5% compared to that in previous year.

## **Scale and benefit of agricultural industrialization continued to grow**

By the end of 2013, there were 334,100 organizations engaged in industrialized agricultural operations, of which 123,400 were leading enterprises, 193,600 intermediaries and 17,200 professional markets, up by 4.3%, 11.0% and 7.4% annually. The economic benefit grew rapidly. The leading enterprises registered revenue of 7.86 trillion yuan, up to 14.2%, 2.9% faster than that of industrial enterprises above designated size. The comprehensive strength of a large group of leading enterprises was strengthened through merger and restructuring.

## **Agro-product supply was ensured by agricultural industrialization and its contribution to increasing job opportunities and revenues was notable**

The areas of production bases connected with organizations involving in industrialized agricultural operations accounted for 60% of the total national crop areas. More than two-thirds of livestock and poultry and over 80% of water breeding areas across the country were connected with those organizations. The total value of major agro-product raw materials purchased by leading enterprises reached 3.41 trillion yuan, accounting for 35.2% of combined output value of agriculture, forestry, animal husbandry and fisheries. Thanks to these organizations, 122 million farmer households participated in industrialized agricultural operations, each bringing home an additional income of 3,097 yuan on average, up by 3.8% and 10.5% respectively yearly. There were up to 24.0472 million employees working in leading enterprises, with an increase of 5.3%.

### **Transition and upgrading of leading enterprises accelerated**

Firstly, their innovation abilities continued to step up. In 2013, a total of 58.732 billion yuan was invested by those leading enterprises in research and development. There were 870,550 personal specializing in agro-tech research and promotion, 16,700 leading enterprises with special department of research and development and 9958 such enterprises receiving awards or honors above-provincial level, up by 10.1%, 6.0%, 8.6% and 14.1% respectively.

Second, the added value of agro-products continued to increase. In 2013, a total of 385.809 billion yuan was spent on production base construction and development, with an increase of 15.2%. The purchase value of raw materials from order and self-built production bases accounted for 66.3% of the total, up by 2.6 percentage points. Great efforts were spared on developing highly-processed agro-products in a bid to achieve a higher added value. The ratio of sales revenue to total purchase value of raw material for major agro-products was 2.3 to 1, up 0.13.

Third, the market competitiveness of leading enterprises grew stronger steadily. Efforts were made to strengthen construction of standardized production bases, product quality management and inspection while developing a traceable chain system covering production, purchase, storage, transportation and sales of agro-products. In 2013, a total of 37.161 billion yuan was spent on quality and quarantine inspection as well as on accreditation, which accounted for 22.1% of total amount. There were 30,800 leading enterprises certified in the quality system, up 6.0%; and 12,400 labeled as provincial or national famous brand, up 9.3%.

Fourth, the cluster effect became increasingly remarkable. At local level, leading enterprises were encouraged to centralize in advantageous region, with advantageous industries moving towards advantageous areas. So far, there were more than 7,000 leading enterprises based in 153 national agricultural industrialization demonstration bases, with a combined annual sales revenue reaching 1.3 trillion yuan. This accounted for 6% and 17% of the national total.

### **Agricultural industrialization led building and development of modern agricultural operation system**

First, with input from industrial and commercial capital, an increasing number of innovative concepts of agricultural operations sprang up. As the industrial and commercial capital entered the agricultural industry, modern elements and modes of management as well as advanced patterns of production organizations were

introduced to speed up shift of pattern of agricultural production and operation.

Second, operating bodies at multiple levels were effectively connected, with continuous innovation in organization mode. Driven by leading enterprises, small rural household producers grew into scale operation bodies such as large professional household producers and family farms. Proactive efforts were made to start cooperatives to connect with other new types of agricultural operation bodies while continuously seeking innovative modes of organization to push for integration of households, cooperative and collective operations with enterprise operation and a multi-structured vertical system of new type of agricultural operation.

Third, joint stock cooperative system steadily developed, with cooperative mechanism in continuous innovation. The number of industrialized organizations connected via joint stock cooperative mechanism increased by 12.2% compared to that in previous year, 4% higher than those connected via contract and cooperatives. A tentative practice of farmer's becoming shareholders of industrialized operations by farmland operation rights came into initial trial.