



## **Development of Agricultural Product Market System**

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### **INTRODUCTION**

By the end of 2013, wholesale markets of agro-product numbered more than 4,400 nationwide, generating an annual trade volume of 3.2 trillion yuan. In terms of large-scale wholesale markets, figures of the National Bureau of Statistics showed that there were 1044 specialized agro-product wholesale markets each with sales of at least 100 million yuan by the end of 2012. This is an increase of 647 compared to that of 2004 these large-scale markets together housed 596 500 stands 413,700 more than that of 2004 an increase of 2,3 fold total business area grew four times compared to that of 2004 to reach 42.717 million square meters. Total annual sales increased 5.3 fold to reach 1.371 36 trillion yuan compared to that of 2004.

In terms of market structure, the grain markets took up 10.6% of these 1,044 wholesale markets; meats, food poultry and poultry egg markets, 11.5%; aquatic product markets, 15.3%; vegetable market, 29.9%; dried fruit markets, 14.0%; markets for cotton, linen, local products, livestock, tobacco and other agro-products, 18.5%. In 2013, the MoA focused its work on promoting the construction of national-level agro-product markets, carrying out top-designing of agro-product markets at production places and regulating management of markets directly administered by the MoA.

### **The positive effect of promoting building of national agro-product markets and influence of agricultural product and industry began to show itself**

By the end of 2013, the MoA had initiated building of nine national specialized agro-product markets (hereafter referred to as “national market”), namely, Luochuan Apple Market, Mudan River Black Fungus Market, Zhoushan Aquatic Product Market, Gannan Navel Orange Market, Chongqing Live Pig Market, Dounan Flower Market, Meixian Country Kiwi Fruit Market, Jingzhou Aquatic Product Market and Dingxi Potato Market, whose positive effects on driving development of scale and commercial operation, standardized production commercial handling and brand-based sale of relevant industries and boosting influence of agro-products and their brands began to show itself.

***a. Efforts were made to explore new working mechanism while jointly promoting market development***

The development of those national markets was actively propelled via innovative working mechanism. First, building joint working mechanism. The MoA, the National Development and Reform Commission (NDRC) and the Ministry of Commerce set up a new working mechanism for jointly supporting and cooperating on development of those national markets. The provinces where those national markets are respectively located also put in place a joint working mechanism between governments at the provincial, municipal and county levels and relevant authorities due to the coordination of the provincial government of Shaanxi, its authorities together invested a total of 445 million yuan in 20 projects of the Luochuan apple market and their input in the Meixian County Kiwi Fruit Market accounted for 20% of the total investment in the market. The county government of Ningxian, Heilongjiang Province introduced a preferential policy that transferred a sum profit worth 12 million yuan to develop its national market, with over 9 million yuan earmarked from county budget and other relevant provincial authorities. Financial authorities at all levels of Zhejiang Province together granted 6.55 million yuan for the development of the Zhoushan Aquatic Product Market.

Second, promoting national market development by brand building. The industrial influence and power of those national markets were boosted starting from brand building. The Luochuan Apple turned into a golden brand favored by customers from one that relied on government for sales promotion and its brand valued over 4 billion yuan. Donna Flower Market, Zhoushan Aquatic Product Market and Mudan River Aquatic Product Market also gave priorities to brand building, publicity and protection with an eye to expand social influence, raise market popularity and social credibility.

Third, finding new ways of financial cooperation. In order to support the development of national markets, the China Development Bank gave full play to the coordinating advantage of comprehensive financial service of investment, bond, leasing and stock and designed a market-based loan system providing medium- and long-term loans with the maximum term of 15 years and a payment system conducive to sustainable development of enterprises, provided short- and medium-term working capital loans and preferential terms including preferential rates of interests while supporting connection between enterprises and capital and providing comprehensive financial service including direct investments, bond issuing and listing guidance. In Heilongjiang Province, the Donning Bank of Agriculture raised 60 million yuan for the market development and the Rural Commercial Bank granted a total of loans worth 150 million yuan. The development of the Luochuan Apple Market, Zhoushan Aquatic Life Market and Dounan Flower Market all embedded the concept of “social investment and market operation”.

***b. The market development was implemented in an orderly way with its core functions including pricing playing a bigger role***

All those nine national markets aimed at building first-class and industrial flagship markets and their five core functions began to play a bigger role. In Shaanxi, Luochuan and Meixian Country respectively established apple and kiwi fruit industrial development corporations in an effort to build economic bodies made of production areas, cooperatives and markets. On the basis of the five major functions, those two markets proposed to build standardize production demonstration center and culture exhibition center. The Luochuan Apple Market

planned to invest 5.8 billion yuan in market development, with 1.1 billion already in place. Thanks to that, the market had already come into shape and its major functional areas had been put into operation. Meixian County invested 970 million yuan in developing its kiwi fruit market, with its sci-tech center, exhibition center and fruit and goods trade area under accelerated construction.

A total of 850 million yuan was spent on upgrading and renovating the Zhoushan Aquatic Market, with its major functional areas including those of pricing, information releasing and logistic collecting and distributing already put into use. From January 2013, the market started to release weekly aquatic product price index, monthly aquatic market outlook index and quarterly foreign trade index. The flower market in Dounan realized part of its function of pricing by releasing “Dounan Flower Price Index” of major flower products including rose and lily and brief market analysis. In Chongqing, the Rongchang Live Pig Market established a physical trading operation platform and upgraded its online piglet trading system, realizing the collective electronic auctioning of piglet, while releasing piglet prices at a regular basis.

***c. The influence and driving effect of the national markets became stronger and their role as national specialized agro-product market grew bigger***

With the deepening of the development of the national markets, their role in driving sound development of relevant industries and promoting the influence of domestic products and markets at both home and abroad became increasingly greater. The “Zhoushan Aquatic City Price Index” has become the barometer of the industry. Due to its gathering effect as a national market, the trade volume of aquatic product of Zhoushan increased over 10% every year, connecting 110,000 fishing vessels in four provinces and one city in East China in a demonstration of its cluster effect. Relying on its innovative trading methods, with the piglet auctioning and trading platform being the focus, the Rongchang Live Pig Market in Chongqing promoted information exchange, reduced trading cost and boosted market transparency, thus better reflecting market demand and supply and ensuring farmers’ interests, which to some extent, also provided guidance on breeding scale and cycle. The annual production value of the Dounan Flower Market had already totaled 3.7 billion yuan and is expected to reach 10 billion after the market is completed, which is of great significance to development of the national and even the international flower industry.

**The National Outline of Developing Markets at Production Places was formulated in order to guide the sound development of the markets at production places in the agriculture system**

In a bid to improve the production place market system and boost the role of market in driving agricultural development, the MoA formulated the National Outline of Developing Markets at Production Places (hereinafter referred to the outline) based on the agro-product trade and distribution experiences of Japan South Korea and Taiwan area of China. The outline specified the guiding philosophy, basic principles, major tasks and supportive measures of production-place market development, giving priorities to development of a three-level agro-product production-place market system that includes national market, regional production-place market and field market.

At leading production areas, a group of national markets were established with an eye to build national platforms and brands of the leading agro-products industrial systems, realizing

the five major functions of pricing, information releasing, logistic gathering and distributing, sci-tech exchange and conference and exhibition and thus guide the sound development of the agricultural industry. Located in provincially planned leading agro-product production areas, major production areas of distinctive agro-products or production bases of traditional products the regional markets relied on scaled and exemplary production-place markets directly managed by the MoA to boost market services via renovation and expansion and drive market activities of agro-products in leading production counties where those markets are based and their neighboring counties as parts of efforts to build a bond that connects regional production and sales and centers of pricing, information releasing and logistic collecting and distributing.

Located in counties and villages, the field markets should also be based on the production places of the “one village one product” where there are certain production capacities and volume of commodities and trade markets and price gathering markets where it is convenient for farmers to sell their products. The field markets should cover the production places of the “one village one product” and drive development of neighboring counties and villages so as to boost sales capacity of agro-products, thus forming an agro-product production-place market system led by national markets, connected by regional markets and based on field markets.

### **The markets were regulated by cleaning up fixed-point markets**

In order to improve management of building of agro-product wholesale market, give full play to the role of the MoA fixed-point markets in finding innovative ways of trade enhancing efficiency of market activities accelerating development of cold chain logistic and boosting farmers’ production and income, further clarify priorities of market operation and management, strengthening the exemplary role and driving effect of the MoA fixed-point markets and regulated and promote sound development of agro-product markets, taking into consideration that the functions of parts of the fixed-point markets degraded due to relocation as a result of urban planning, change in their directions of operation or poor management, the MoA conducted a review on those markets, during the process of which it verified qualifications of 704 markets as its fixed-point market and disqualified 71 markets while issuing new qualifications to 69 markets. So far, the number of the MoA fixed-point market reached 773. Local authorities strengthened their support for fixed-point markets. The Agricultural Bank of China issued financial support for a number of those markets to build and upgrade themselves or helped them with cash flow. According to incomplete statistics, a sum of capital worth 18 billion yuan in credit was granted to nearly 300 markets, consolidating the role of the wholesale markets as the major source of supply of non-staple agro-products.

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