The Effects of Agricultural Market Liberalization and Commercialization on Household Food Security in Rural China

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Kathy Baylis, Linlin Fan and Lia Nogueira: University of Illinois Urbana-Champaign

Research Question:
- How did market liberalization affect rural households in China in the 1990s?
  - Commercialization
  - Nutrition (share of calories from non-staples)

Methodology:
- Ag production, commercialization and nutrition jointly determined – 3SLS
- Instruments for ag production – capital variables
- Instruments for commercialization – number of private enterprises, grain quota before and after 1995

Robustness tests:
1. Definition of farmers and market liberalization index
2. Nutritional outcome
3. Instruments
4. Fixed effects

Results are robust to different specifications

Take-home message:
- Commercialization increases nutrition for undernourished households
- 10% increase in commercialization = + 4.29% more calories from non-staples (= a banana)
- The commercialization of field crops and horticulture increases nutrition significantly

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