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

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*Selected Poster prepared for presentation at the Agricultural & Applied Economics Association's 2012 AAEA Annual Meeting, Seattle, Washington, August 12-14, 2012.*

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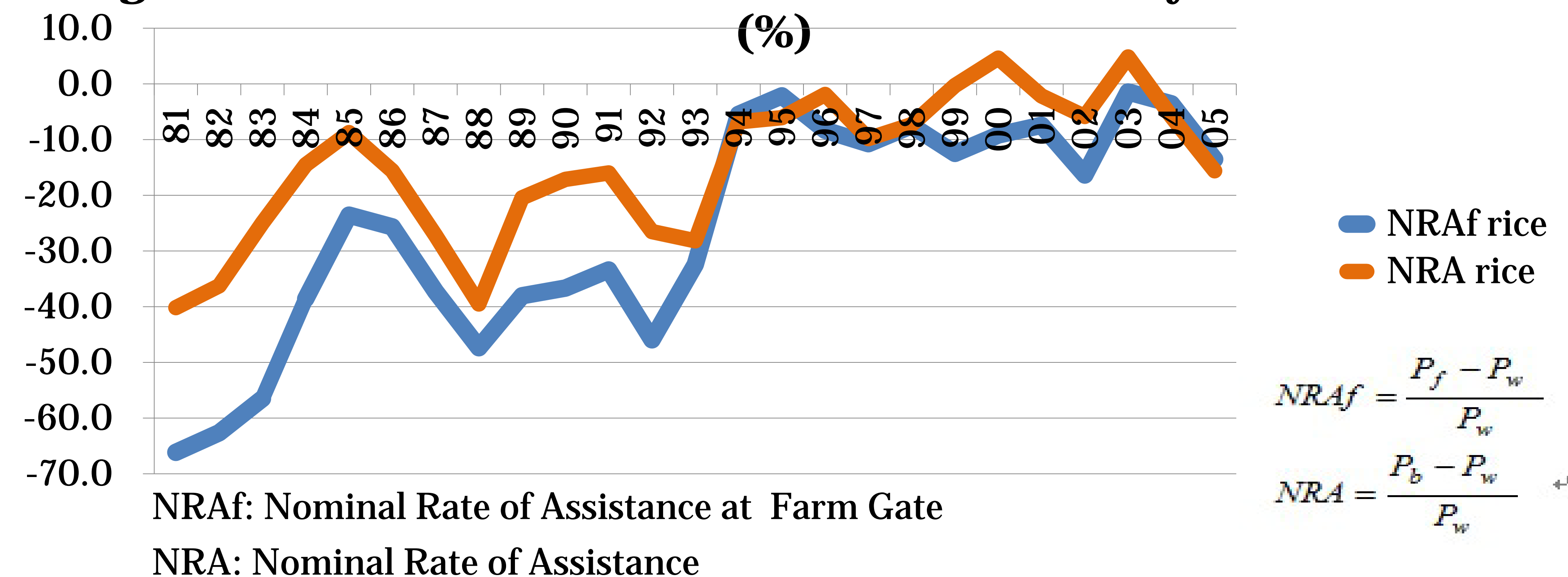
# The Effects of Agricultural Market Liberalization and Commercialization on Household Food Security in Rural China

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

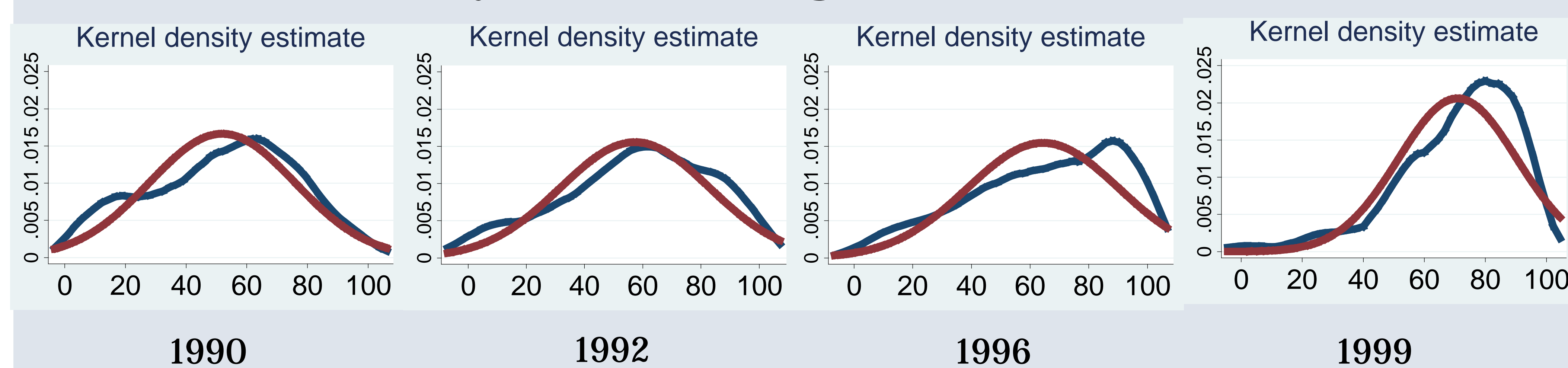
## Research Question:

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

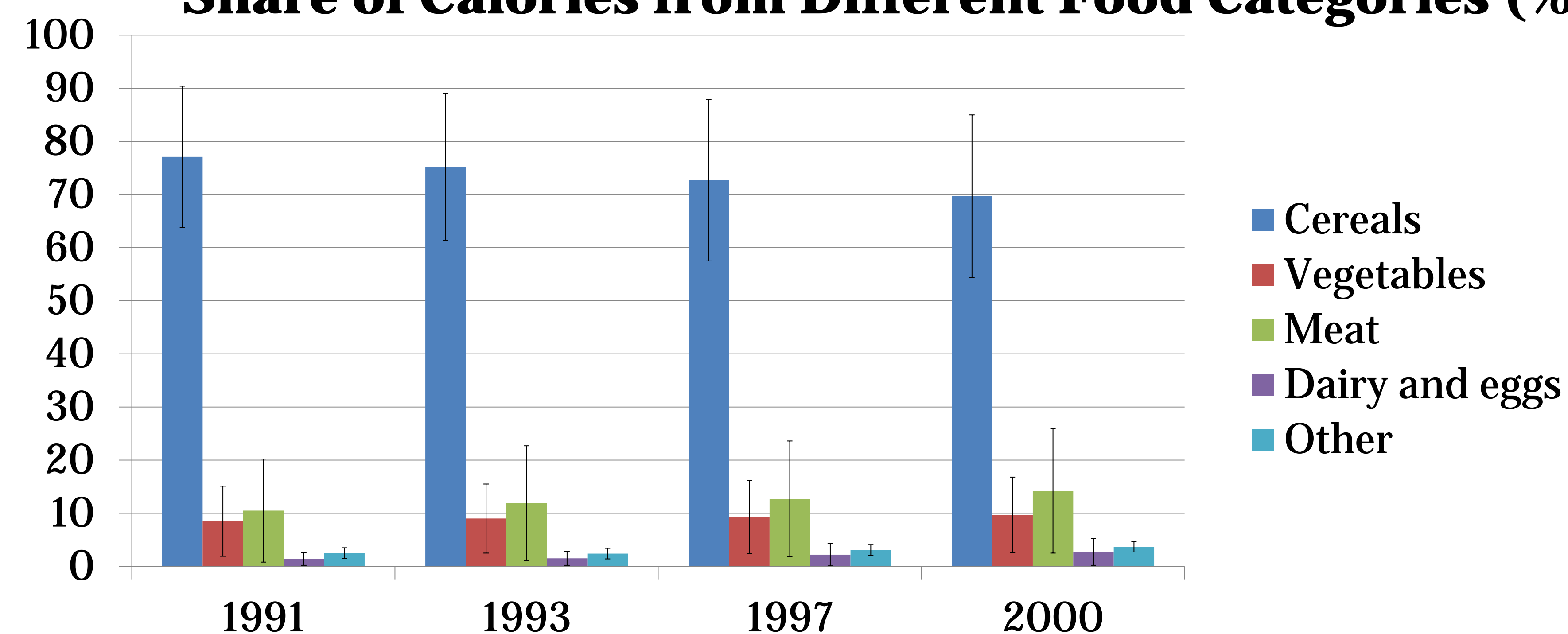
## Change in Market Distortion in China Measured by NRA and NRAf (%)



## Kernel Density Estimate of Agricultural Commercialization



## Share of Calories from Different Food Categories (%)



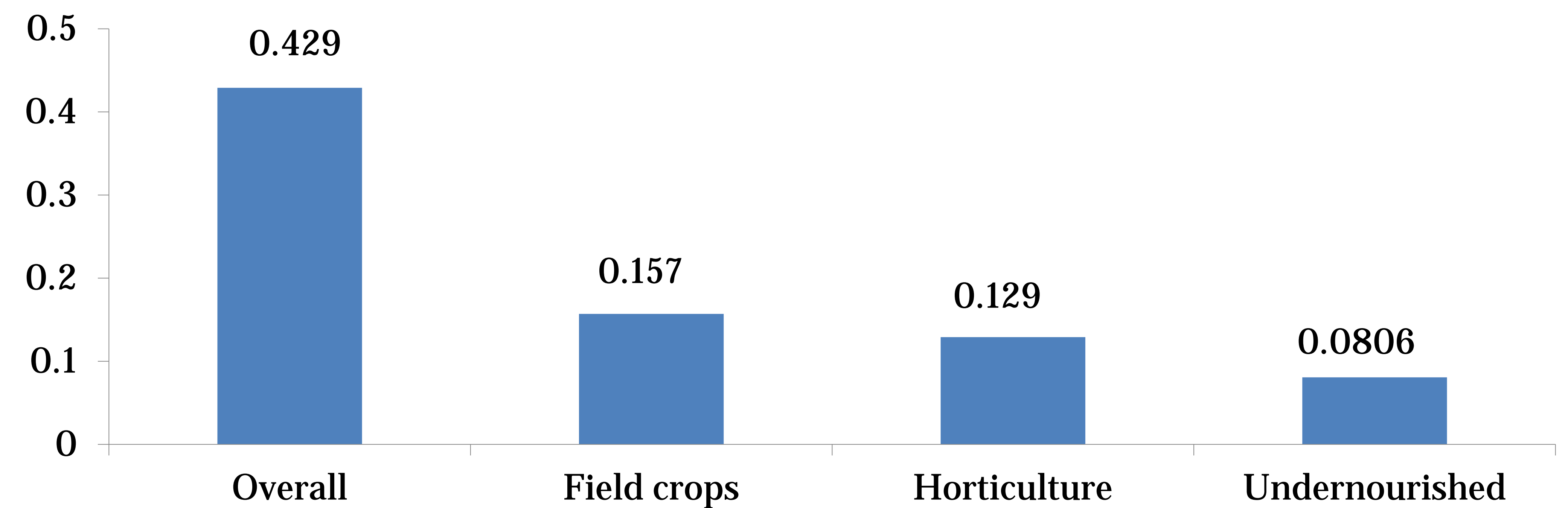
## Methodology:

- 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
- ✓ **Hansen's overidentification test of instruments**
- ✓ **Under identification test of instruments**

## Robustness tests:

- Definition of farmers and market liberalization index
  - Nutritional outcome
  - Instruments
  - Fixed effects
- Results are **robust** to different specifications

## Estimated Coefficients of Commercialization on Nutrition



## 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



We thank Professor Alex Winter-Nelson for his suggestions and support of this paper