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Selection Factors for Market Subjects of Agricultural Industrial Development

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Abstract The paper firstly analyzes selection factors for market subjects of agricultural industrial development in China. From the political aspect, it is required to take account of features of subjects of agricultural industrial development at current stage. From economic aspects, we should adhere to the two-tier management system that integrates unified with separate management on the basis of household contract management in the countryside, and cultivate and foster subject enterprises according to features of most important market subjects in market economy. From natural aspects, it is proposed to consider features of agricultural industry and inherent advantages of agricultural resources in China. From social aspects, it is essential to draw on successful experience of developed countries in developing market subjects of agricultural industry.

Key words Agricultural industry, Market subjects, Selection factors

With establishment of large-scale standardized family farm, the United States has become the largest exporter of agricultural products and strengthened its "leader" position in world agriculture. For Russia, due to lack of well-established market subject of agricultural industrial development, its agricultural industry is less developed even it also is blessed with abundant agricultural resources like America. The Netherlands is a typical country with a large population but little land. However, it is only second to the United States in export of agricultural products just because it has established standardized purchaser and seller or leading enterprise combined with farmer households as market subjects of agricultural industrial development. Another example is Japan. Since market subject of agricultural industrial development has not been established in accordance with development demands of market economy, its agricultural development level is incompatible with its powerful economic status. The above four examples show that establishing standardized market subject of agricultural industrial development according to demands of modern market economy plays a remarkable role in constantly lifting market competitive power of agriculture and smoothly realizing modern transformation of traditional agriculture. Evidently, to realize modern transformation of Chinese traditional agriculture, we must cultivate and foster our own market subject of agricultural industrial development according to national conditions of China. Generally speaking, family, government and enterprise are three largest market subjects of modern market economy. Among them, enterprise is the most important market subject. For China, following four factors should be considered in selecting market

subjects of agricultural industrial development.

1 Features of subjects of agricultural industrial development from the political aspect

Subjects of agricultural industrial development refer to major participants of agricultural industrial development. Specifically, they are organizations and individuals participating in activities of agricultural industrial development, including farmer households, enterprises, government, other non-profit organizations and some intermediaries. Among these, farmer households are the most important subjects. Farmer households are units organized by families living in rural areas (for more than one year), possessing land and engaged in agricultural production and operation mainly in reliance on family members. Farmer households are the most basic economic organizations in rural society. There are three conditions for farmer households: based on families and living in rural areas for a long term; possess land and enjoy basic rights and interests of land in accordance with law; engaged in agriculture.

After new China was founded, along with constant development of China's political system, its subjects of agricultural industrial development are also constantly evolved. The course of its evolution is roughly divided into three stages: first, before emergence of the agricultural elementary cooperatives, farmer households are established as development subjects; second, during the period of agricultural elementary cooperatives, advanced cooperatives and Rural People's Commune, production team and production brigade become development subjects, and subject position of farmer households is shaken or even completely loses; third, Rural People's Commune System collapses, the household contract responsibility system is established, and farmer households become the most basic development subjects again. Nevertheless, this evolution is not a simple repetition and return.

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Compared with traditional subject position of famer households, modern subject position of Chinese farmer households takes on distinct time characteristics. Firstly, current farmer households only have land use right but no ownership of land. Famer households only are tenants of land (contract farmers); the relation between farmers and village community becomes looser, so there is a large space for system innovation. Secondly, current farmer household management is established in the macro background of China's socialist market economic system. It gradually changes traditional self-sufficient natural economy, and farmer household management becomes more and more oriented towards market, society and organization. Practice of agricultural industrial development since reform and opening up has shown that farmer household management conforms to China's agricultural industrial development and is widely accepted by farmers. Therefore, any rural reform including fostering market subjects of agricultural industrial development shall be based on this. To promote constant and stable development of agriculture and rural economy in China, we must arouse farmers' enthusiasm and cultivate and foster market subjects of agricultural industrial development as per demands of farmer households.

2 Adhere to the two-tier management system that integrates unified with separate management on the basis of household contract management in the countryside, and cultivate and foster subject enterprises according to features of most important market subjects in market economy from the economic aspect

The economy China constructs is socialist market economy. This is different from market economy of western countries. Socialist market economy combines market economy and socialist system, so it contains common features of market economy and features of socialist system. Since it is well combined with socialist system, the market plays a basic role in allocating resources under active and effective macro control, and then it is easy to realize efficient and fair economic system. According to inevitable demands of socialist market economic development and practical situations of rural economic development, in current stage of China's rural and agricultural development, China adheres to the two-tier management system that integrates unified with separate management on the basis of household contract management. In the household contractual management, farmers obtain land use right through contracting rural collective land, while the property right of land and other basic means of production is still in the possession of the collective. Farmers' land contractual management right is mainly manifested in their independent management right and income right over their contractual lands. They can select those crops that have best benefits according to supply-demand relationship. After paying statutory taxation expenses, the remaining

income can be possessed by famers. The household contract management stimulates farmers' enthusiasm, liberates the entire rural productive forces, and promotes development of rural collective economy. Therefore, the household contract management is the basis of rural management system and should be adhered to. For some large rural irrigation works, farmland capital construction, service of agricultural production links, organization of developmental production, establishment of various economic entities, and energetic development of township enterprises, the collective shall conduct a unified management. Therefore, collective unified management is indispensable in promoting household contract management and agricultural production. Collective unified management mainly functions as providing agricultural production service, coordinated management, and accumulation of assets; and the most important one is to enhance service for farmer households. The two-tier management system that integrates unified with separate management is suitable for features of rural and agricultural production in China. This system brings into full play advantages of collective and enthusiasm of individual, so it is not only suitable for small-scale management of decentralized agriculture, but also suitable for management on a fairly large scale. It boosts agricultural labor productivity, promotes overall development of rural economy, and improves farmers' living condition. The two-tier management system that integrates unified with separate management on the basis of household contract management in the countryside is a basic system of rural economy and shall be adhered to for a long term.

Therefore, to develop market-oriented agriculture and cultivate and foster market subjects of agricultural industrial development, we must adhere to socialist market economic system and adhere to collective ownership of agricultural means of production. We should not copy experience of western developed countries.

On the other hand, we must take account of common features of market economy. In other words, it is required to consider features of the most important subject enterprises in market economy. Enterprises in market economy follow operation rules of market economy, bring into full play basic function of market on resource allocation, and directly deal with production, circulation, and service activities on the principle of independent management, self-accumulation and self-development, and independently responsible for their own profits and losses. In this situation, enterprises become the most basic and important market subjects and micro-foundation for operation of market mechanism. To cultivate and foster market subject of agricultural industrial development, we should study features of enterprises. This is the requirement of market economy for its enterprise subject and also requirement for market subject of agricultural industrial development.

Features of enterprises or basic requirements of market economy for market subject of agricultural industrial development can be summed up as follows. Firstly, enterprises should supply proper products or services on the basis of international and domestic market demands. The direct purpose is

to satisfy various demands of consumers, finally to realize product value and maximize enterprise profits. Secondly, as subjects of production and management, enterprises may make production and management decisions according to international and domestic market demands. For example, produce those products that have the highest expected profit, independently determine prices of products or services, independent management, accounting and responsible for their own profits and losses according to supply and demand of product at the market. Thirdly, enterprises make development strategies according to market demand, determine management mode and development scale, and take which way to raise funds for self-accumulation and self-development. Fourthly, enterprises are tax-paying organizations and should pay taxes in compliance with legal provisions.

In conclusion, to cultivate market subject of agricultural industrial development suitable for demands of socialist market economy, we must accord with the above features of enterprises, bring into better play economic and social functions of market subjects of agricultural industrial development in market economy, to make it become leading force of agricultural productivity development and progress in agricultural science and technology, as well as important pillar and backbone of agricultural modernization construction.

3 Features of agricultural industry and inherent advantages of agricultural resources from the natural aspect

Agricultural production features combination of natural reproduction and economic reproduction. Objects of agricultural production are living animals and plants. Agricultural products are results of continuous growth course of life. This course is uninterrupted and each production link starts in sequence. There is only final product but no phase achievement. Agricultural production activities are highly seasonal and regional. Agricultural work is unbalanced. In addition to not superimposable of agricultural production, decisions on plantation, production, and operation of agriculture should suit time, place and condition. Agricultural production is not only restricted by biological rules, but also influenced by various natural conditions. As a result of these features, labor organizations should not be too large, and benefits of producers are connected to final operating performance. Since farmer households have direct economic benefits in family operation mode, they will frequently observe and take careful management of crops, and properly change production and management decisions along with change of objective conditions, so as to be favorable to development of agricultural production^[1]. Therefore, it can be said that farmer household management is a proper organization form of agricultural production.

The above rules for growth and development of agricultural production objects determine that agricultural production is simple and rare in cooperation, in other words, much cooperation of agricultural production is simple cooperation. Compared with independent work, simple cooperation shows obvious advantages

when many people complete an indispensable operation together, such as sowing, rush-harvest, combating disasters, and building water conservancy projects. With simple cooperation, these can be completed in time and farming season is not delayed, consequently achieving high yield and bumper harvest. If this scope is exceeded, however, it is just a mechanic sum of force of individual workers. In case of low management level, it is even lower than sum of force of individual workers. Because this will increase costs for supervision, possibly result in loafing on the job, and may cause waste of idle times.

Since much operation of agricultural production fails to complete strict labor division with close cooperation. Even some simple cooperation fails to obtain significant effect. As a result, agricultural production should not directly copy cooperative methods in industrial field^[1]. Rather, simple cooperation of agricultural production suitably adopts family operation of farmer households.

Agricultural resources in China feature high total area but small per capita of land. Total land area of China accounts for 1/15 of the world land area and 1/4 of Asian land area, ranking the third in the world. However, per capita area of land is only 0.8 hm² in China, equivalent to 1/14 in Russia, 1/42 in Canada and 1/3 of world average level. The proportion of farming land is low and per capita cultivated land is little. Farming land in China takes up only 56% approximately, lower than the world average level (66%) and much lower than the United States (87%) and India (84%). Per capita cultivated land is only 0.10 hm² in China, significantly lower than that in Canada (1.53 hm²) and the United States (0.73 hm²), and only slightly higher than 1/2 of India (0.18 hm²). The above data indicates that absolute level of various land resources in China is high, but the conflict between population and land resource is outstanding. The per capita cultivated land in China only takes up 1/4 of the world level, 1/7 of the United States and 1/2 of Indian level^[2]. Besides, distribution of cultivated land is not uniform in China. Cultivated land is concentrated on hilly lands. Decentralized cultivated land is not favorable to large-scale cultivation. So the overall quality of cultivated land is low. High-yield fields are few and middle and low yielding fields take up a bigger proportion. In recent years, development of various constructions reduces cultivated land, leading to growing of conflict between population and land resource. In 2004, the total area of cultivated land in China is 1 300. 392 million hm², while the rural population reaches 942. 537 million. In 2006, the per capita cultivated land is less than 0.1 hm² in China. Even if added with waste land suitable for farming, it is still less than 0.13 hm², only equivalent to 32% of the world average level. In addition, land will still be the basic guarantee for survival of farmers in China for a long term, so average distribution of land contract management is inevitable. At present, China holds 250 million farmer households, and the land averagely contracted for management is only 0.54 hm². In western developed countries, per capita cultivated land is 150 times higher than the scale of land contract management in China. The agricultural management scale in China is only equivalent to 1/40 of EU countries, 1/400

of the United States, and only 1/2 of Japan which is also a country of large population but little land^[3]. The above situations force China to adopt suitable farmer household contract management in accordance with national conditions, rather than apply large family farms like America.

4 Drawing on successful experience of developed countries in developing market subjects of agricultural industry from the social aspect

From the course of foreign agricultural modernization, along with rapid development of industrialization, technicalization and socialization, such developed countries as American, Canadian and French have gradually developed their original petty farmer economy into modern, specialized and socialized family farm economy. Family farms have become subjects of market-oriented agriculture. Family farms, as basic organizations consisting of farmer families, have certain scale of management, deal with suitable scale production, processing and sales of farming, forestry, husbandry and fishing according to market demands, independently operate, take self-accumulation, self-development, responsible for their own profits and losses, and conduct scientific management, to achieve maximization of profits. Family farms have three common features. First, they operate in the way of family management and family operators possess certain means of production. Second, families are responsible for raising production and management funds, assuming economic responsibility, and independently operate, take self-accumulation and self-development, and responsible for their own profits and losses. Third, daily working and management generally rely on family labor and rarely employ other family members^[4]. Therefore, family farms become the most basic elements of modern agriculture and the most important subjects of market-oriented agriculture. According to scale of operation, family farms can be divided into large, middle and small ones. American and Canadian counties with small population but much land have large family farms; European countries like France have middle sized family farms; and those countries like Japan with large population but little land have small family farms. According to scope of business, family farms can be divided into specialized type and compound type. The former refers to such farms mainly engaged in production of certain crops, like grain crops, cash crops, or animal husbandry and cultivation; while the latter refers to those farms dealing with business of animal husbandry combined with cultivation, or cultivation combined with processing. According to statistics, after realizing modernization of agriculture, the proportion of quantity of family farms to total quantity of various types of farms respectively reaches 88%, 92% and 80% in American, Canada and France. The development course of the above three countries indicates that family farms are the most important market subjects of agricultural industrial development and greatly promote rapid development of agricultural industry in these three countries.

Apart from family farms, agricultural cooperatives are also market subjects of agricultural industrial development in developed countries. Currently, farmers' cooperative economic organizations in developed countries mainly include traditional agricultural cooperatives and modern agricultural cooperatives. Traditional agricultural cooperatives are cooperatives established on principles of the International Cooperative Alliance (ICA) including "voluntary and open member qualification", "democratic management of members", "economic participation of members", "independence", "education, training and education", and "caring for the society". Such cooperatives are manifested by farmer cooperatives in America and Canada, professional cooperatives in Germany and France, and community type cooperatives in Japan. In 2002, there are 3 140 farmer cooperative and 2.79 million cooperative members in America (by the way the population of American farmers is approximately 2 million in that year). In France, there are over 1 300 agricultural service cooperatives, 43 000 agricultural cooperative groups, and 90% farmers are members of agricultural cooperatives. In Japan, there are 25 000 comprehensive agricultural cooperatives, 3 513 professional agricultural cooperatives, and 5.46 million formal members and 3.5 million associate members^[5].

The new generation cooperatives appeared in North Dakota State and Minnesota State of the United States and gradually developed to over 200 professional cooperatives engaged in processing and value adding of agricultural products and conducting closed membership in other states and Canada. Apart from common features of basic principles of ICA, the new generation cooperatives have some new development, such as increase of initial investment paid by members, members enjoy delivery right equivalent to investment amount and can transfer the delivery right, and capitals of members are closed and stable. Besides, these cooperatives mainly develop high value-added processing industry to increase income of cooperative members. Along with increase of profits, the cooperatives will return profits to members in the form of cash^[4]. Appearance and development of new generation cooperatives are adjustments as per development requirements of modern agriculture and also improvement, reform and innovation of internal institutional arrangement of cooperatives.

In conclusion, agricultural cooperatives in developed countries make huge contribution to helping decentralized farmer households to achieve agricultural management in appropriate scale, speeding up development of agricultural industry, and raising income level of farmers. They also provide valuable experience for China in cultivating and fostering market subjects of agricultural industrial development.

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mittee causes that villagers and villager committee want to evade "legal" guidance of township government, or even refuse to pay agricultural taxes, and elude family planning policy. These not only hinder normal implementation of township administrative functions, but also seriously deviate from principle of villager autonomy, and leading to conflict between Party branch and villager committee.

In the situation of constant political games in rural society, the state power on one hand improves procedures and rules for election of villager committee, to achieve generalization, legislation and standardization of villager, and promote growth and development of farmers' self-organizations. On the other hand, for necessity of promoting modernization, the state must strengthen control over rural society, to obtain and maintain social order and resources that are favorable to modernization. In this situation, the state power has no intention to make the grass-roots administrative power secede from rural society. Consequently, conflict arises between grass-roots power, villager committee, between villager committee and Party Branch of the village, and between villager committee and individual farmer.

4 Conclusions: autonomy is a path for development of rural society

In the end of the 1970s, to speed up agricultural development, the state power implemented the system of fixed output to households and established agricultural policy and rural economic policy oriented towards bringing into full play enthusiasm of farmers. The agricultural production responsibility system carried out in rural areas, in particular the household contract responsibility system, drives adjustment of rural production relationship, then great change occurs in farmers' production, operation, allocation and even the working forms. Economic democracy not only summons up farmers' enthusiasm of production, working, and getting rich, but also promotes farmers' free awareness in the economic environment of "decentralization". As a result, the household contract responsibility system lays a solid foundation for reform and development of rural economy.

Increasingly free and open economic activities create greater opportunity for farmers to maximize their income. Farmers do not rely on rural organizations. They can be engaged in various activities not in violation of national laws to obtain resources and capitals for survival and development. Through democratic election of villager committee, grass-roots political power is placed on the basis of public opinion, and farmers have the right to elect village cadres. It is true that village election cannot solve problems in the village, but farmers will not abandon the democratic election right. If citizen society only seeks for maxi-

mization of self-power, sooner or later, it will lead to violent conflict between citizens and the state^[8]. Before popularization of villager autonomy, farmers confront with administrative power of village cadres and township government; after large-scale implementation of villager committee election, farmers and villager committee resist penetration and interference of township government separately in the form of "ballot" and "right to election". Along with new countryside development of rural taxation and expenses, gradual establishment of rural social security system and building harmonious society, and there will be original conflict of positive trend and dynamic interaction.

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