

Commercialization of Food Consumption in Rural China

Fred Gale, Ping Tang,
Xianhong Bai, and Huijun Xu



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Abstract

Rural households in China have traditionally consumed food mostly grown on their own farms. While they continue to rely on self-produced grains, vegetables, meats, and eggs for a large portion of their diet, rural households are now purchasing more of their food as they enter the mainstream of the Chinese economy. Cash purchases of food by rural Chinese households increased 7.4 percent per year from 1994 to 2003. Consumption has shifted from self-produced to purchased food at a rate faster than can be explained by income growth or changes in other household characteristics. The move away from self-produced food is associated with lower consumption of staple grains, the most important self-produced food in rural Chinese diets. Food consumed away from home is one of the fastest growing categories of rural household expenditures, doubling in budget share from 1995 to 2001. Commercialization of food consumption is diversifying Chinese diets, broadening food markets, and creating new opportunities for retailers and product distributors.

Keywords: China, food, consumption, expenditures, rural, commercialization, subsistence agriculture, Engel analysis.

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Summary

Many analysts anticipate that China's changing food consumption patterns will affect world agricultural trade and create new export opportunities for farmers in the United States and other countries. Much of the attention is focused on the emerging consumer class in China's cities, but a careful assessment of China's food and agricultural markets requires an understanding of rural food consumption patterns as well. The rural population—historically about 80 percent of the total but now just over 60 percent—has historically been isolated from the urban economy, mostly engaged in semi-subsistence farming with relatively little cash income available.

What Is the Issue?

Much of the food in China is consumed on the farms of households who produce it. Consumption of self-produced food is a key difference between rural and urban food consumption and is a factor often ignored in studies of China's food markets. Though China's rural households carry on the tradition of growing most of their own food, as they enter the mainstream of the country's economy, they are purchasing more of their food than ever before. With its vast size, China's rural population is thus emerging as a huge viable market capturing the attention of food and agricultural industries in the United States and other countries. The addition of tens of millions of consumers into China's food system will likely have an effect on world markets.

What Did the Project Find?

Rural households minimize their expenditure on food by relying on self-produced grain and other foods to meet most of their basic energy and protein requirements. The cost of self-produced grain is just a fraction of the cost of purchased food, so consuming self-produced food frees up limited cash to spend on nonfood items, such as housing and school fees. China's rural households consume an estimated 2,600 calories per day with annual food expenditures of just \$107.

While rural households in China show a persistent reliance on consumption of self-produced food, trends show a rise of 7.4 percent per year in commercialization, or cash purchases, of food from 1994 to 2003. Over the period, consumption of self-produced grain and vegetables declined and cash purchases of food rose at rates faster than can be explained by income growth.

Commercialization is most advanced among households with relatively high incomes and households in the more developed eastern provinces. However, even households with relatively high incomes self-produce most of the grain and vegetables they consume.

Food's share of rural household budgets in China is shrinking as rural residents spend proportionally more on school fees, housing, health care, transportation, communications, and household goods. However, expenditures on food

consumed away from home in restaurants and cafeterias are one of the fastest growing items in rural budgets, doubling in share between 1995 and 2001.

Analysis of household expenditures also reveals that the shift from self-produced to purchased food cannot be explained by income growth or changes in other household characteristics. The commercialization of rural food markets may be attributable to factors that are difficult to measure, including improved communications, transportation, increased interchange between rural and urban populations, increased numbers of rural food stores and restaurants, and a shift from subsistence agriculture to cash crop production. The commercialization trend is integrating rural areas into larger regional and national markets, and food retailers and distributors are beginning to include the rural population in their marketing plans.

How Was the Project Conducted?

This study analyzes patterns of food consumption and expenditure using data from an annual rural household survey conducted by China National Bureau of Statistics. The analysis uses both published and unpublished data to provide a glimpse of China's rural households not previously documented. Trends analyzed include rural food expenditure and consumption patterns from the early 1990s to 2003, a period of rapid change and development of markets in China's rural economy. Econometric analysis of household survey records from three Chinese provinces for the years 1995 and 2001 helped show how expenditures vary across households at different income levels.