

5.1 Smallholders in the Chinese rapeseed market

Definition of Chinese smallholders

Small householders are mainly family farms based on the household responsibility system¹⁾ in China. There are 209 million family farms under the household responsibility system (census data in 2000). Hence, China has 209 million small householders. The typical family size on family farms is 2-5 people with less than 0.2 ha of arable land area per capita, so most of the small households only farm less than 1 ha of land (Figure 5.1.10).

Self-sufficiency and product prices

Rapeseed acreage increased by 32.2% from 5.5 million hectares in 1990 to 7.3 million hectares in 2009. Meanwhile, rapeseed yield increased substantially from 1.3 t/ha in 1990 to 1.9 t/ha in 2009. In the same period, the average rapeseed home consumption fluctuated between 20% and 30%, thus the small householders sold at least 70% of their rapeseed (Compilation of national cost-benefit data of farm products 2009). Consequently, rapeseed producing smallholders must be involved in markets.

On the market, smallholders are in a disadvantaged position. Most of the farmers sell the rapeseed during the harvest season around May and June, but that is when the price of rapeseed is relatively low. Theoretically, those smallholders could store their rapeseed to wait for higher prices. But being relatively poor, they need cash to buy inputs for the next crop and to pay their necessary living expenses. Consequently, they have to accept the low price and sell the rapeseed. According to a survey of 120 householders in 2003 (Zhou Chun et al.), none of the analyzed rapeseed farms had rapeseed for sale from January to April and October to December. Figure 5.1.11 shows the price for rapeseed in 200 main rapeseed producing counties from 2009 to 2010. The price of rapeseed decreased dramatically from May to October in 2009. The market took a turn for the better in 2010, but it also decreased from May to July and increased slowly until October, afterwards the price increased dramatically.

Marketing channels

Smallholders sell rapeseed in two main ways: to local, small rapeseed processing mills and/or to local agents. Most of these small mills (Figure 5.1.12) are operated by some farmers at their homes and provide the rapeseed processing service for farmers' home rapeseed oil consumption. If there is not too much surplus rapeseed, most smallholders like to sell the rapeseed to small mills close to their home. Most local agents, who are farmers nearby, know exactly who has rapeseed to sell and go to farmer's homes to bargain with them. After reaching a price agreement, local agents will drive or rent one small truck to transport the rapeseed to their own storage facility or to other agents for direct sales. Smallholders with small production endure bargaining disadvantages. Local agents can force down the price of rapeseed to obtain more profits through asymmetric market information and farmers being eager to sell.

Prospect for smallholders in rapeseed production

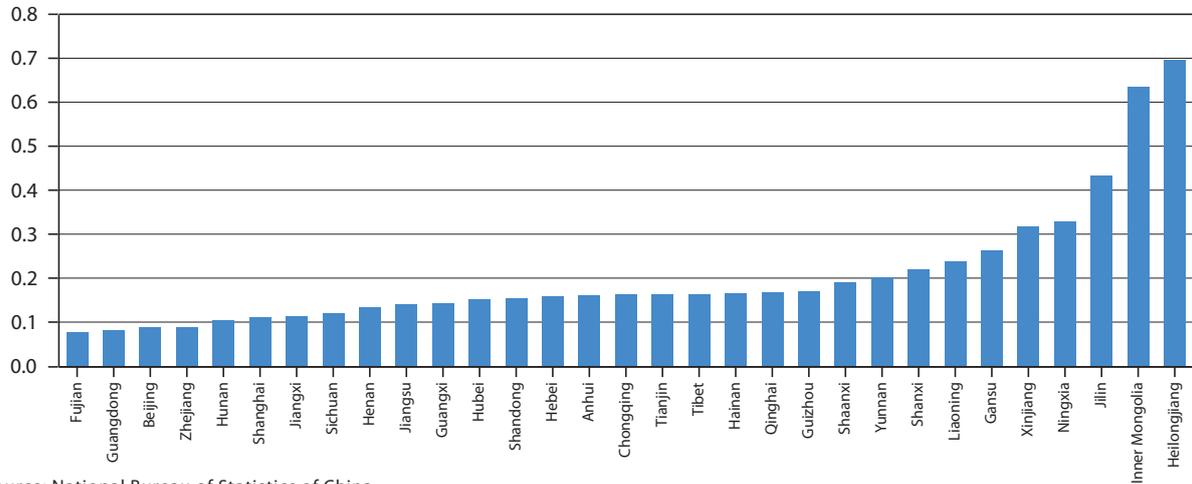
It can be expected that smallholders organize themselves in cooperatives which must be different from the socialist people's communes of the past. Cooperatives can offer different services to smallholders. They can help smallholders purchase the input material from the factories, which can reduce the marketing costs. In this way, those smallholders can use the same seed and fertilizer to produce the same rapeseed in a larger area and then process the high quality rapeseed oil. Cooperatives can collect the rapeseed for sale which improves the bargaining power of smallholders. Cooperatives can also provide various financial services. If smallholders can borrow money easily from cooperatives, they do not have to sell their rapeseed immediately after harvest for cash.

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¹⁾ The Household Responsibility System, instituted in 1978, reallocated collective agricultural land to individual rural households, giving them relative autonomy over land use decisions and crop selection. http://www.chinaculture.org/focus/2009-09/03/content_347005.htm

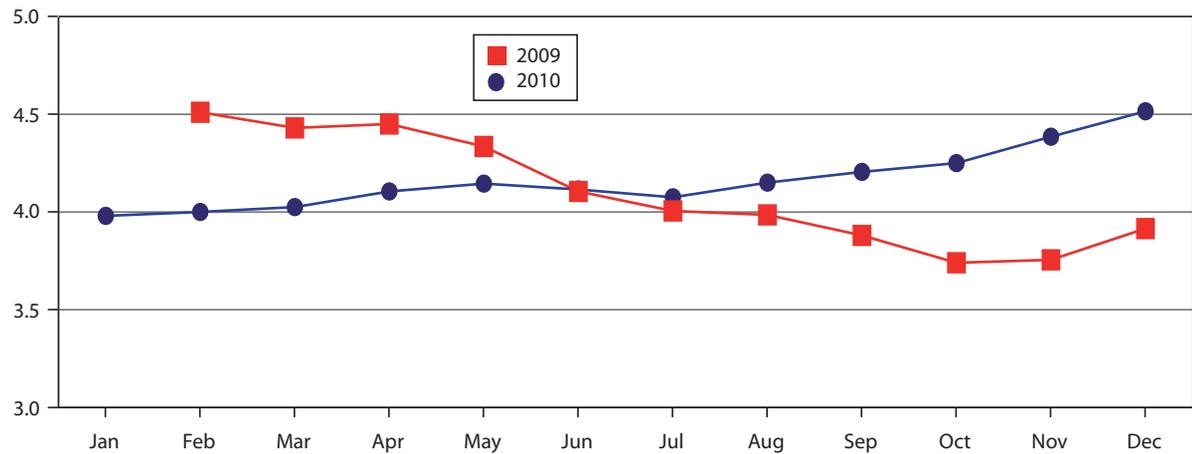
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5.1.10 Arable land per capita in Chinese provinces (ha/head)



Source: National Bureau of Statistics of China

5.1.11 Rapeseed prices in 200 main rapeseed producing counties from 2009 to 2010 (Yuan/kg)



Source: National Bureau of Statistics of China

5.1.12 Rapeseed processing mill

