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Commercialization of Food Consumption in Rural China

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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 effects of 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. China's rural population—historically about 80 percent of the country's total but now just over 60 percent—has in the past 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 affect world markets.

To measure the potential effects, it is necessary to first evaluate trends in the consumption of self-produced and purchased food by China's rural consumers over a recent period. In the context of China's increasingly market-driven and globally integrated economy, it is also necessary to measure changes in rural consumption patterns, and changes in the way rural households allocate their cash expenditures among various food and nonfood items.

What Did the Project Find?

China's rural households averaged just \$107 in food expenditures per person per year in 2003, yet rural residents are generally not malnourished. Rural households minimize their expenditures 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.

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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.

Until the early 1990s, food accounted for roughly half of rural household expenditures. By 2003, consumption of self-produced food declined sharply, but purchased food maintained a steady share of rural household budgets. Households with higher incomes and those in the more developed eastern region of China purchase most of their food, while those with lower incomes and those in western provinces still grow most of their food. Since 1995, consumption of nonstaple commodities, such as meats, eggs, fruit, and fish, is most commercialized, while consumption of grains and vegetables by rural households is still reliant on self-production.

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.