

## Chapter IV

### SOCIOECONOMIC BACKGROUND

This chapter discusses the agricultural economic background, the production of major crops, the farmers' decision making and occupations, the historical formation of the pricing and marketing systems, and finally the marketing management philosophy of the government is highlighted.

#### 4.1 Agricultural Economic Background

Hunan is a populous province with a total population of 61.11 million (*Statistic Year-book of Hunan, 1990*). Out of this total, the agricultural population comprised 85%, or 51.82 million people. There were about 13.62 million farm households with an average size of 4 members each. Hunan has been an important agricultural production province in China in the past and at present. Agriculture used to account for more than 60% of the total Gross Domestic Production (GDP) of the province, at present it is about 40% as a result of the rapid growth of the manufacture sector (*Figure 3*). Hunan is the biggest grower of rice and one of the biggest producers of natural fiber, citrus, tobacco, oil-seeds, hogs and fresh-water fish in China. Even though grain production volume increased over the past 1980-1990 period, its

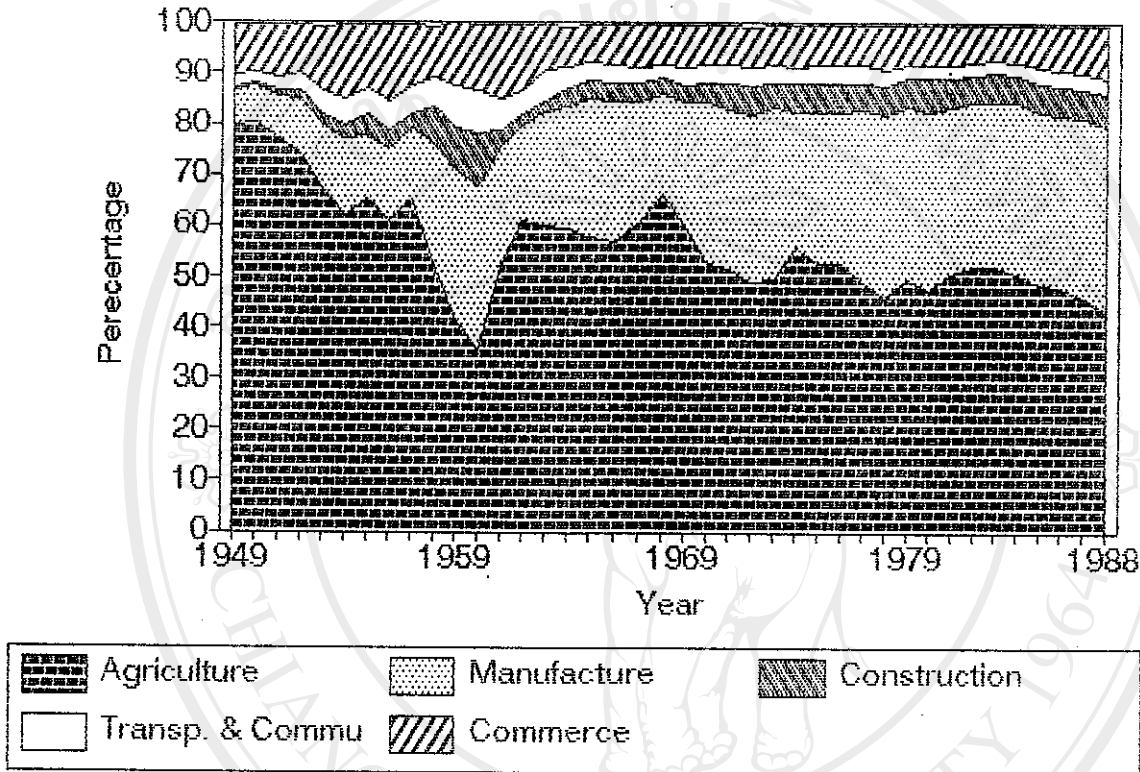


Figure 3 GDP Composition of Hunan Province

Source: Data from Hunan Statistics Year Books (1949-1988).

importance declined regarding its contribution to the total gross value of provincial agricultural production. In the contrary, cash crop, livestock and fishery have become important sectors (Table 1). For example, grain production accounted for only 36.7% of total gross value of agricultural production in 1990 comparing with 55.4% in 1980. At the same time, the proportion of livestock increased from 19.2% to 29.5%.

Table 1 Composition of the Gross Value of Agricultural Production in Hunan Province

Item	Unit	Year					
		1980	1982	1984	1986	1988	1990
Total	BY*	11.0	14.3	17.1	22.3	30.3	39.7
	%	100.0	100.0	100.0	100.0	100.0	100.0
Grain	%	55.4	50.6	45.6	36.1	27.5	36.7
Cash Crops	%	16.6	18.0	20.0	22.1	18.9	18.4
Livestock	%	19.2	20.1	22.3	26.2	36.2	29.5
Forestry	%	5.1	5.3	5.0	6.3	7.2	5.5
Fishery	%	1.1	2.5	3.1	3.7	4.4	4.3
Others	%	2.6	3.5	4.0	5.6	5.8	5.6

Source: Hunan Agricultural Bureau.

Note: Asterisk indicates unit in billion yuan.

As reported in 1990, the total cultivated farmland was 49.68 million mu (1 hectare = 15 mu). Paddy fields covered 39.48 million mu which accounted for 79.5% of total farmland. 40.14 million mu, or 70% of total farmland, was irrigated. The farmland per capita was 0.81 mu for the whole population and 0.96 mu for the agricultural population. The total crop growing area was 119.28 million mu with a proportion of 67.5% devoted to grain crops. The land to rural labor ratio was 1.91 mu which is quite small in 1990. Total agricultural revenue was 39.74 billion yuan (US\$ 1 = 4.7 yuan in 1990). Crop production accounted for 21.92 billion yuan. Per capita farmer income was about 800 yuan a year in 1992.

As a result of the even land distribution policy and the large number of households, the size of land owned by each household was

very small ranging from 0.5 to 1 hectare. Such a small farm size and low farm income resulted in the characteristics of agricultural self-sufficiency especially for food production in the province. The commercial rate of grain varied from 27% to 18% (*Table 2*) during 1976 - 1990 period, while the industrial crops have high commercial rates .

Table 2 Commercial Rates<sup>1</sup> of Major Crops

Years	1976	1978	1980	1982	1984	1986	1988	1990
Rice	0.23	0.18	0.25	0.27	0.26	0.23	0.23	0.22
Cotton	0.88	0.96	0.98	0.92	0.94	0.91	1.14	1.02
Ramie	1.08	0.91	1.01	0.98	0.94	0.72	1.33	2.11
Tobac.	1.01	0.90	0.92	0.93	0.91	0.78	0.73	0.90

Source: Hunan Statistics Year-books.

#### 4.2 The Production of Major Crops

The major cropping patterns is characterized by the wide adoption of growing rice for at least one season combined with a second season cash crop or paddy again (*Table 3*). Two crop paddy fields accounted for 63% of the total land area in 1990, arid land with multiple crops occupied only 5% of the total land area.

<sup>1</sup> Commercial rate here means the rate of marketed amount of agro-product over the output amount in a calendar year.

Table 3 Major Cropping Patterns in Hunan Province in 1990

Patterns	Land Area (mu)
3-Crops Paddy Field	7,309,100
Wheat--Rice--Rice	528,700
Barley--Rice--Rice	505,600
Rape seeds--Rice--Rice	5,034,000
Rape seeds--Rice--Soybeans	24,900
Green Manure Seed--Rice--Rice	436,300
2-Crops Paddy Field	25,947,400
Rice--Rice	9,744,800
Wheat--Rice	467,200
Rape seeds--Rice	1,966,600
Tobacco--Rice	504,600
Maize--Rice	58,800
Green Manure--Rice--Rice	11,907,000
1-Crop Paddy Field	6,162,900
Green Manure--Rice	1,503,600
Rice	3,442,400
Cotton--rape seeds	950,000
Cotton--Wheat	300,000
Ramie	282,000
Dry Land Multiple Cropping Land	1,851,000

Source: Hunan Statistics Year-book, 1990.

The major crop products in Hunan are grain (mainly rice), cotton, ramie, tobacco, rape-seeds, vegetables, citrus fruit (Table 4) and etc. This study focuses on the 4 most important crops, that is rice, cotton, ramie and tobacco.

Copyright© by Chiang Mai University  
All rights reserved

Table 4 Crop Planted Area, Yield and Production  
in Hunan Province in year 1990

unit: (mu, kg/mu, ton)

Crop	Planted Area	Yield	Production
<b>Grain Crops</b>	80,484,300	335	26,926,678
Rice	65,555,600	384	25,172,579
Spring Rice	27,660,700	387	10,695,310
Autumn Rice	30,630,800	381	11,683,007
One-term Rice	7,264,100	385	2,794,262
Wheat	3,019,400	95	285,639
Sweet Potato	4,447,900	159	707,946
Potato	684,600	137	94,027
Other Cereal Crops	4,050,600	105	426,932
Barley	565,000	116	65,676
Pea & Broad Bean	762,300	80	60,850
Maize	1,827,200	127	231,404
Sorghum	119,700	104	12,455
Mongbean	270,000	70	18,974
Soybean	2,726,200	88	239,555
<b>Cash Crops</b>	14,847,800		
Cotton	1,778,200	68	120,142
Peanuts	1,099,500	87	95,590
Rape-seeds	9,379,000	66	621,433
Jute	95,800	196	18,804
Ramie	282,300	89	25,248
Sugarcane	369,700	3,456	1,277,612
Tobacco	1,495,800	88	131,370
Medical Crops	91,300		
<b>Other Crops</b>	23,944,400		
Vegetables	5,576,100		
Ginger	125,600	505	63,488
Gallic	267,600	179	47,880
Chili (dry)	991,700	81	79,960
Melon	566,900		
Green Fodder	2,276,100		
Green Manure	15,252,500		

Source: Hunan Statistics Year-book, 1990.

#### 4.2.1 Rice

Rice is the predominant crop in Hunan, which accounted for

55% of the total cultivated area, 60% of the total value of all crop production, and about 1/3 of the total value of the annual agricultural production. Rice output was 16.06 million tons in 1976, it reached a new record high of 26.93 million tons in 1990. Even though the planted area has shrunk almost 10%, the average yield increased by 78% in the 1976-1990 period (*Table 5*).

On the average, farmers sold about 25% of their rice output and kept 75% for home consumption (*See Table 2*). commercial rate differs geographically. There was about 1 to 2 million tons of rice sold to other provinces annually. Since rice quality was poor, very little could be exported to the international market.

Table 5 Rice Production

Year	1976	1978	1980	1982	1984	1986	1988	1990
Planted Area (10,000 mu)	6949	6768	6618	6585	6601	6491	6441	6556
Yield (kg/mu)	231	308	293	340	366	380	367	411
Output (million ton)	16.06	20.88	19.43	22.40	24.17	24.64	23.67	26.93

Source: Hunan Statistics Year-books.

#### 4.2.2 Cotton

Cotton planted area fluctuated and decreased from about 2.80 million mu to about 1.77 million mu during 1976-1990 period in Hunan, cotton output decreased from about 100,000 tons in 1976 to the lowest trough of 43,900 tons in 1988 (*Table 6*). About 80% of cotton is produced on the fertile Dongting Lake plain in the north of Hunan. The humid and

cloudy climate in Hunan is not so favorable to cotton production, but its production is very important to the provincial textile industry. In most of the years cotton self-sufficiency ranges from 40% to 70%, its price is highly affected by the export of textile to the international market. Because of market uncertainties and its economic importance, cotton production involves a lot of government interventions which include the compulsory procurement regulation, the production subsidy system and the set up of production bases.

Table 6 Cotton Production

Year	1976	1978	1980	1982	1984	1986	1988	1990
Planted Area (10,000 mu)	275	273	269	252	199	129	137	178
Yield (kg/mu)	37	28	36	39	64	65	32	68
Output (10,000 ton)	10.15	9.63	9.62	9.81	12.80	8.33	4.39	12.01

Source: Hunan Statistics Year-books.

#### 4.2.3 Ramie

Hunan has become the biggest ramie producer and processor in China as well as in the world since the mid of 1980s. Ramie output of China accounts for 90% of the world total, and Hunan produces more than 1/3 of that in China. Export of ramie cloth and clothes earn 10-15% of total foreign exchange of the province (Hu, 1990). About 85% of ramie is grown around the Dongting Lake plain. The planted area before 1985 ranged from 100,000 to 200,000 mu with an annual output of 8,000 to 20,000 ton. Stimulated by the high international market price of ramie



clothing, the planted area sharply increased to 2,890,000 mu and output increased to 233,000 ton in 1987. This consequently caused the domestic farm price and the international ramie cloth price to fall sharply due to oversupply. The planted area, in turn, dropped to about 300,000 mu in 1980s with an annual output of about 25,000 ton (*Table 7*). Many economists viewed the severe fluctuation of ramie production as an economic disaster caused by the failure of marketing (*Hu, 1990*).

Table 7 Ramie Production

Year	1976	1978	1980	1982	1984	1986	1988	1990
Planted Area (10,000 mu)	11.9	12.6	17.7	18.3	13.6	110.8	117.3	28.2
Yield (kg/mu)	67	78	72	103	105	85	98	89
Output (10,000 ton)	0.79	0.98	1.28	1.90	1.43	9.37	11.4	2.52

Source: Hunan Statistics Year-books.

#### 4.2.4 Tobacco

Hunan is one of the largest tobacco producers in China. The cigarette industry which is under strict government license control contributed more than 80% to the annual financial revenues of some counties, and accounted for about 10% of the provincial financial revenue as a whole. In recent years, export of cigarette and tobacco helped the province earn up to 30 to 50 million US dollars a year. In 1976 the planted area was 543,200 mu with an output of 35,891 ton. The production steadily increased to 1,232,900 mu, and output 130,211 ton in 1985. The planted area remained about 1,200,000 mu (*Table 8*) at present.

Tobacco was mostly grown in southern Hunan in the spring season in paddy fields. The western region of Hunan, where severe soil erosion has occurred due to excessive reclaiming of steep mountain slopes, was another big producer.

Table 8 Tobacco Production

Year	1976	1978	1980	1982	1984	1986	1988	1990
Planted Area (10,000 mu)	54.3	68.5	40.5	98.1	74.3	88.4	122.7	116.7
Yield (kg/mu)	66.0	77.0	92.0	115.0	115.0	104.0	103.0	96.0
Output (10,000 ton)	3.6	5.3	3.7	11.3	8.6	9.2	12.6	11.2

Source: Hunan Statistics Year-books.

#### 4.3 The Farmers' Decision Making and Occupation

It is the farmers who directly respond to market information and make production decisions. Farmers' ability to receiving and interpreting market information, and the ability of making adequate production decision adjustment are affected by several socioeconomic factors, especially the dynamic institutional factors which changed the farmers roles from time to time.

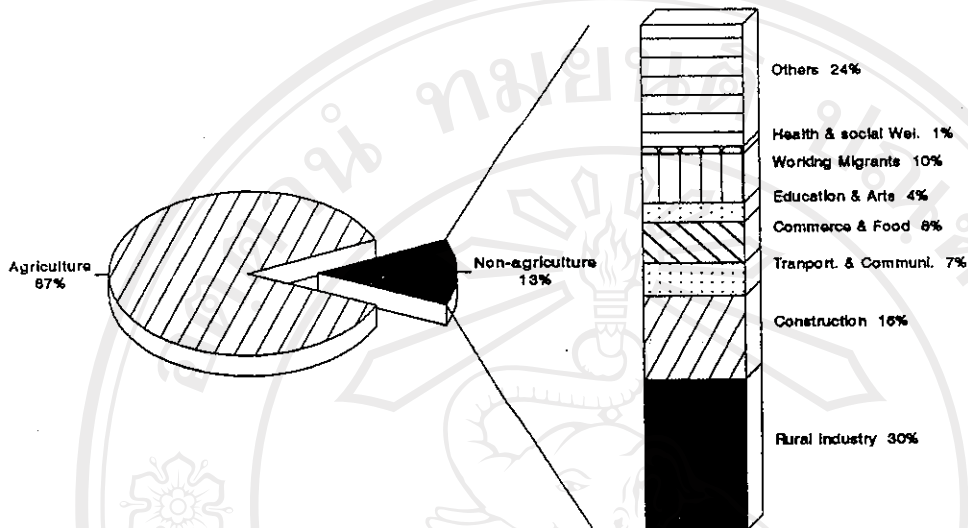
Before 1982, farmers were all commune-members working collectively as agricultural workers. They had no say on what to grow or where to sell their products. But farmers now need to make their own decision on what to grow and what to do with their products. However, it does not mean that they can make all the production decisions alone now. Farmers in Hunan need to follow government general regulations. Firstly,

they are required to plant enough grain, oil and/or fiber crops to meet official procurement quotas. Secondly, their selling of products may be restricted to government monopoly agencies. Provided they meet the government requirement, they can grow whatever crops they like.

In 1982 the government dismantled the *Commune System* and adopted the so-called "*Household Contract Responsibility Production System*". Farmland was reallocated to each household according to its family member or labor size. Land is still prohibited from changing hands at present, and from shifting to non-agriculture. Therefore, all farmers are quasi-landowners who operate small scale labor-intensive farming.

With the rapid industrialization in recent years, more and more farmers in Hunan are now employed with full-time or seasonally off-farm work which helps a lot of farmers become well-off. In 1990 there were more than 13% rural labors worked off-farm (*Figure 4*). These off-farm works help bring capital to the agricultural sector, and contribute to the improvement of the production system.

There is severe brain-drain in the rural area as well. Educated people continuously migrate out to urban areas. Small size farms, inadequate economic and entertainment infrastructures make it difficult for ambitious younger generation to remain engaged in farming.



**Figure 4 Rural Labor Employment**

Source: Data from Hunan Statistics Year Books.

#### 4.4 Historical Formation of the Pricing and Marketing Systems

The pricing and marketing system can not be built and changed over night. The current system is largely a continuation of what came before. Therefore, reviewing important historical developments will be very helpful to the understanding of the present system and why it is this way.

When the *World War II* and the *Civil War* ended in 1949, the prime task of the newly founded PRC government was to rebuild the collapsed national economy, to end the market chaos and to prevent its people from starvation and chilling. At that time, almost every basic commodity especially grain and cotton was scarce, and the market of

those commodities were totally controlled by private traders whose speculation pushed the market prices soaring and far away from ordinary people's reach. During the period of August, 1949 to July, 1950 commodity prices in Hunan increased by 7 times (Xiao, 1989). Under that situation, the government took over all the market wholesaling from the private traders (Table 9). In late 1952, as a result of the government *Economic Recovery Program (1949-1952)*, the market price fluctuations of grain and other basic commodities calmed down. That was the first step of the long building procedure of the monopoly marketing institution in China which last to the present days.

Table 9 Major Institutional Events

Time	Events	Socioeconomic consequences
1949	The founding of the P. R. China.	The set up of rural cooperatives and state run marketing agencies, private business was merged.
1965-1976	The Cultural Revolution	Private marketing was forbidden and free market totally closed.
1982	The Implementation of the Household Contract responsibility System in the Rural Area	Farmers own their farms, price adjustment, free market reopen, private and public marketing permitted.
1985	Market liberalization	Agroproducts consequently free of government control, government marketing monopoly system set under reform
1988-1992	Remodel the economy into the planned market economy	The marketing of agroproducts dramatically liberalized for the function of free market

Source: Xiao (1989).

During the *First Five-year Plan (1953-1957)* period, China marketing system was significantly changed, the government, which introduced the USSR model of Planned Economic System, controlled the marketing of every important agricultural products. In November, 1953 the government monopolized grain and edible oil marketing; in 1954 it monopolized the marketing of cotton, and pigs. Prices were fixed and a rationing system was introduced to the retailing sector to assure the equal distribution of those commodities to the vulnerable urban dwellers.

During the *Second Five-year Plan and Economic Adjustment (1958-1964)* period, China was given the first painful lesson from the deadly *Great Leap Program*. Because local officials boosted the output amounts of their communes and the government hence increased the procurement quotas, and the price gap between agriculture and industry products, which put agriculture at disadvantage stage, became worse, the Great Leap Program resulted in severe shortage of agricultural products and wide famine during 1959-1961 period. To ease the situation which the government could not solve alone, it partially reopened the free market sector for meat and vegetables and reduced agricultural procurement quotas in late 1961. At the beginning, the free market prices were 3-5 times higher than the official prices in Hunan, but after 1962, the market prices fell and then resumed stable as a result of a massive government price stabilization effort (Xiao, 1989).

1965 to 1976 was the period of China's *Cultural Revolution* chaos. During this time all prices were frozen, the free market sector was absolutely cut off as the *Tail of Capitalism*, more products entered

the rationing system because of insufficient production, but it consequently deteriorated the price and marketing system, problems accumulated and became worse. Even though the cultural revolution ended in 1976, the following two years did little to repair the market system.

The year 1979 is regarded as the starting year of the recent *Economic Reform Program* which is widely believed to have saved the economy of the country. The reformation of the marketing system was conducted through 4 systematic phases:

Firstly, during 1979-1984 period, The government took dramatic measures to raise the prices of agricultural products in order to promote market supply. For example, the "March, 1979 Price Hike" raised most agricultural product prices by more than 20% (*Table 10*). The original situation of twisted relative prices among various agricultural products and between agricultural and industrial products were significantly improved.

Secondly, during 1985-1986 period, the government gradually liberalized the pricing of most of agricultural outputs and inputs besides the continuing price relationship adjustment, the free market sector was enforced. As a result, the government procured products at official prices accounted for 37.3% of the total value of the products it brought from farmers in 1986, there is a sharp decline comparing with the ratio of 68.5% in 1984 (*Xiao, 1989*).

Table 10 The Adjustment of Agricultural Prices  
in March, 1979 in Hunan Province

Items	Grade	Original Prices (yuan/50kg)	Adjusted Prices (yuan/50kg)	Changing Percentage ( % )
Rice	moderate	9.50	11.55	21.58
Soybeans	"	21.00	24.00	14.29
Mungbean	"	21.00	28.00	33.33
Rape-seed Oil	"	85.00	106.00	24.71
Hogs	G-2	48.73	62.06	27.36
Fresh Fish	G-3	38.55	53.00	37.48
Eggs	fresh	68.23	82.80	21.35
Poultry	mixed	55.40	76.94	38.88
Meat-Cattle	ordinary	67.61	88.08	30.28
Meat-Goat	mixed	27.00	35.33	30.85
Cotton	G-327	115.00	132.50	15.22
Ramie	G-1	95.00	119.50	25.79
Silk cocoon	moderate	115.00	138.00	20.00
Sugarcane	ordinary	1.90	2.25	18.42

Source: Hunan Price Administration Bureau, 1989.

Thirdly, during 1987-1988 period, agricultural prices increased sharply due to strong market demand under fast economic expansion, therefore the government enforced price control. Consequently there were some setbacks in the market liberalization effort.

Fourthly, after 1989, the benefit and experiences of previous actions was evaluated and the importance of market reform was lauded and resumed. The government set the so called *Planned Market Economy* as the goal of its market reform effort. Agricultural production improved and the supply of most agricultural products became sufficient. This enabled the government to liberalize the pricing and marketing systems of all agricultural products and inputs.



In 1992, Hunan became the first province that announced to liberalize the marketing of all agricultural products in the coming year (*The People's Daily <Overseas edition> November 1, 1992*). After the revolutionary changes of the marketing system in the past 13 years in Hunan as well as in China, people now doubt whether there is any significant difference between the pursued *Planned Market Economy* and the existing *Free Market Economies* in the world.

#### 4.5 Marketing and Pricing Policies

The economy of Hunan used to be centrally planned, the P&M system was highly institutionalized. Before 1979, major agricultural products used to be marketed through government channels at official prices. The balance of agricultural supply and demand was adjusted through the modification of various government plans and price manipulation, rather than through the market prices adjusting themselves. For instance, the government procurement price of unmilled rice had remained at 9.5 yuan/50 kg for 13 years during the 1966-1978 period. However, this was changed in March 1979 when the government raised the price of rice by 20% while the excess-quota<sup>2</sup> procurement price increased 50%. As for cotton, the price raised by 15.2% (excess-quota by 30%), ramie by 25.8% (*Xiao, 1989*).

The adoption of market mechanism began around 1978-1981, since then the government has done a great deal to weaken the state

---

<sup>2</sup> Besides procurement quota, farmers may sell rice to the government at more favorable prices.

monopoly in agricultural marketing. In 1984, there were about 20 agroproducts still under government control, compared with 180 items in 1978 (An, 1987). Products like fruits, hogs, poultry products, fish, etc. have consequently entered the free market system. In addition, more than 90% of fresh vegetable was traded in the free market. However, grain, cotton, tobacco, sugarcane and a few other major crops were still marketed according to "contracts" or "procurement quotas" which were under government control<sup>3</sup>. It was considered risky to allow these products be traded through the free market system, because there were heavy speculation and inflation during the short supply period in the past, this had caused tremendous economic and political chaos to the country.

The agricultural pricing and marketing systems in late 1980s in Hunan was characterized as a *Dual-Track System*. The large portion of agricultural products was marketed under control of the government plan, while the other portion was handled through free market flow. The components involved in marketing were the government agencies, semi-official companies, private companies and private middlemen. Market prices comprised of the government procurement price, the government excess-quota price, government floating price, free market retailing price and the middlemen or company whole handle price.

When the government decides to increase the output of a certain crop (such as cotton), it may raise the procurement price and

---

<sup>3</sup> According to the People's Daily (Nov. 1, 1992), the Hunan provincial government has initiated a historical plan under which the marketing and pricing of grain, edible-oil, and agricultural inputs will be liberalized in 1993.

also provide some amount of subsidized fertilizers, pesticides, rice, fuel, and low interest credit. Sometimes the subsidy arrangements can be very complex. For example, value of the subsidy for cotton production during the short supply 1987-1990 period accounted for as much as 30% of the farm price the farmers received. The uneven distribution of various subsidies not only spent a lot of times of the government, but also caused unfair treatment of farmers who were in different regions or grown different crops. When the government decided to limit the output of a certain product, it usually tightens the grading standard, subsidized inputs, and/or even imposes some special tax on some cash crop production.

The free market sector for agricultural products is composed of urban assembling markets and rural periodical fairs. Every county, big city and even local township now owns some kind of assembling market where both wholesale and retail businesses are conducted. Rural periodical fairs are mainly organized at local township level and involves mainly small retail businesses among farmers. In addition, large commercialized farmers usually sell their products to middlemen on farm or in their nearby areas. The free market sector is also under the supervision of government regulations which states what can be marketed freely and what cannot. When the free market prices rise too high, the government may release a certain amount of its buffer stocks to reduce the free market prices. This method was used in the egg and meat markets during the 1980 - 1992 period. There are also cases that the government monopoly system released stock into the free market in order to reduce government losses of over stocking. These measures

usually resulted in depressing of free market prices.

#### 4.6 Market Administration Agencies

The Hunan provincial government assigned its branch office the *Planning Commission* to take charge of market administration. There are one sub-commission —the *Price Commission*, and two bureaus —the *Price Administration Bureau* and the *Commerce Administration Bureau* (Xiao, 1989) under the supervision of the planning commission. Even though many government departments are indirectly involved in market management, it is the provincial commerce bureau and the price bureau that directly control the market administration.

##### 4.6.1 The Commerce Bureau

The commerce bureau was established in April, 1951 to monitor and regulate domestic marketing. It was granted the power to issue, suspend and cancel traders' commerce operation licenses, and to implement economic punishment to marketing misconduct or illegal activities such as selling fake-brand product, under-quality product, un-licensed product etc. It is responsible to report the market supply and demand situation and initiate market policy proposals regularly to the government. As more and more people are entering the private business sector, this agency has been increasingly complained about for its bureaucracy, bribe taking and prejudicial practices.

#### 4.6.2 The Price Administration Bureau

This agency was formerly a price office under the provincial commerce bureau during the April, 1951 to June, 1956 period. It was transferred to become an office of the provincial planning commission in late 1956. It was formally established as a bureau for price administration in September 11, 1957 with a staff size of 18 members. Pricing agricultural products for official procurement and retailing is its main job. As most of the important agricultural products were marketed under government control, the prices of those products were frequently manipulated by this agency under the instruction of the government. The *Price Patrolling Team* which is under the price bureau has been set up to monitor market and file cases of market misconduct violating government price regulations such as price cheating for legal or economic punishment. In 1988 there were 2,155 officials and clerks working for the bureau as it had extended its branches to both prefecture level and county level.

#### 4.7 The Government Marketing Management Philosophy

Different marketing management policy reflects different government administration philosophy which may cover wide concerns of economy, politics, culture etc. In order to understand government marketing policies, it is necessary to review the facts and analyze the underlying reasons.

Firstly, the government administration used to be in a top-

down order rather than in the bottom-up approach, as the government believed that a direct issue of an instructive order is more efficient and fruitful than allowing people to make their own decisions. Referring to history, it was also believed that absolute supreme power and strict control were needed to maintain the social stability and to bring prosperity to the economy. This explains why the government adopted the *Centrally Planned Economy System* and monopolized the marketing of a large category of agricultural products.

Secondly, the government put so-called "social equity" ahead of economic efficiency in its management of economy which was influenced by Chinese cultural heritage especially the *Confucius Ideology*. Under this ideology, a perspective was developed that profit meant exploitation and thus it is evil; farming was regarded as the most important production activity; and trade was associated with cheating and therefore was unproductive. Thus the rationing marketing system was introduced and extended to every of the economy to pursue absolute social equity and non-profit in marketing. An even more complicated subsidizing system was added to ensure social welfare. Private agribusiness was depressed because they were all profit oriented and conduct cheating. Farmers were not allowed to participate in marketing because it was blamed for reducing farm activities and productivity.

Thirdly, as there had been long persistent food shortage in the history of China, food security was the primal economic task of the government (*Jiang, 1991*). In order to ensure that every citizen could acquire his food, beside the rationing system in cities, regional food self-sufficiency program was implemented. Then farmers were not allowed

to work off-farm in order to maintain enough labor for agricultural production.

Fourthly, economic priority was given to industry especially the manufacture sector in order to industrialize the country quickly. Agriculture was treated as an economic base to provide cheap raw materials, to accumulate capital and to earn foreign currencies for the industrialization drive (An, 1986). The urban sector was considered more important to the economic development and social stability than rural sector. Urban citizens were believed to be more vulnerable in case of commodity shortage condition, this was why agricultural product prices were artificially kept at low levels to sacrifice for other sectors.



ลิขสิทธิ์มหาวิทยาลัยเชียงใหม่  
Copyright© by Chiang Mai University  
All rights reserved