

# Cultivating New Types of Agribusiness in Sichuan: Realistic Problems and Policy Suggestions

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**Abstract**—This paper aims at analyzing realistic problems and putting forward policy suggestions cultivating new types of agribusiness in Sichuan province. To achieve it, field surveys were applied and the results found performance has been achieved in cultivating new types of agribusiness while there are still some realistic problems, such as duplicate registration, inadequate cultivation of service-oriented ones, high rent, insufficient development of rural finance and insurance and lack of scientific and technological talents. To resolve those problems, the following policy suggestion are put forward: (1) set up access conditions and strengthen supervision; (2) focus on supporting the cultivation of service-oriented new types of agribusiness; (3) development of land joint-stock cooperative system; (4) establish benefit-agriculture financial insurance system; (5) create a rural entrepreneurship and employment environment.

**Keywords**—new types of agribusiness; modern agriculture; rural development; Sichuan Province

## I. INTRODUCTION

Sichuan is a big agriculture province which is located in the west of China. It plays an important and irreplaceable role in China's food safety and agricultural economic development. The last almost 40 years saw agriculture has undergone a transformation and upgrading from traditional agriculture to modern agriculture in Sichuan Province of China, with new types of agribusiness appearing and developing as its obvious characteristics. Specifically, agribusiness has changed from a single small-scale farmer householder to a diversified situation of new types of agribusiness such as agricultural enterprises, farmers' professional cooperatives, planting or breeding professional farmer households, family farms and small farmer households. In recent years, Sichuan Province has earnestly implemented the spirit of the Eighteenth National Congress of the Communist Party of China and the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China. With the support of land, credit and financial policies concerning agriculture, remarkable results have been achieved in cultivating new types of agribusiness. The existing literature has done a lot of research on the topic of cultivating new types of agribusiness, but there is little literature reported about that of Sichuan Province. Therefore, this paper aims at analyzing the realistic problems and putting forward policy suggestions to promote the new types of agribusiness better development. This paper unfolds as follows: Section II

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reviews the existed literature to introduce some viewpoints of similar topics on cultivating new types of agribusiness. Section III analyzing the current situation of new types of agribusiness. Section IV explores the realistic problems of that. The last section puts forward some policy recommendations.

## II. LITERATURE REVIEW

Agribusiness has always been the focus and hotspot of research in the field of agricultural economy management in China. Due to institutional arrangements, small farmer households have long been the only agribusiness in China. Therefore, scholars focus their research on such topics as the size of small farmer households, the efficiency of small farmer households and the connection between small farmers and markets. In recent years, with the development of new types of agribusiness such as agricultural enterprises, family farms, professional farmers and farmers' professional cooperatives, scholars have gradually developed a strong interest in the topic of cultivating new types of agribusiness. A series of achievements have been made in the fields of the policy environment, the functions of new types of agribusiness, and the main types which the government ought to support. Aulova (2013) dealt with the result of economic activity of agricultural businesses of legal entities in the Czech Republic and concluded that the main factors that affect the result of economic activity are identified, and subsequently their effect is quantified. In the long-term, the decisive factors affecting the result of economic activity of agricultural businesses of legal entities in the Czech Republic can be considered to be primarily the level to which the business is equipped with assets and capital, and the capital intensity in general. Chang (2013) probed into the barriers and reasons for elderly farmers' agricultural operations and participation in life activities and found the obstacles for elderly farmers' agricultural operations are reflected from their inferior economic situation. Bijman (2011) explores the organizational features of the newly established cooperatives as well as the services they provide to their members and found that the chairman of the cooperative is often the dominant shareholder (on average 28% of shares) so the entrepreneur has substantial financial capital to become a major investor in the new cooperative. Dumas (2010) thought the survival of family farmers is threatened by rapid change, intense international competition, and a resulting reduction of interest in perpetuating the family farm and surveyed the factors which influenced the next generation to pursue family farm. The

above literature provides a useful reference to carry out this research but there are few kinds of literature study systematically on the practical problems of cultivating new types of agribusiness in Sichuan and put forward policy suggestions for decision-making. In view of this, this paper aims at analyzing the realistic problems and bringing forth policy suggestion on cultivating new types of agribusiness.

### III. CURRENT SITUATIONS OF NEW TYPES OF AGRIBUSINESS IN SICHUAN PROVINCE

#### A. Family farms are developing rapidly

By the end of 2015, the number of family farms in Sichuan Province had reached more than 23,000 including 200 provincial demonstration farms. Most of them are mainly engaged in the cultivation of food crops and oil crops. Family members are their main labor forces, accounting for 66% of the total. In addition, the number of family farms whose total annual sales value of agricultural products ranged from 100,000 Yuan to 500,000 Yuan has amounted to more than 5,000 with 37% of the total. More than 320 family farms have registered their own agricultural brands.

#### B. Farmers' professional cooperatives are gradually growing

Data from Sichuan Agricultural Department in 2016 shows that the number of registered farmers' professional cooperatives was nearly 60,000 increasing 23.1% over the previous year. They are mainly engaged in planting or animal husbandry. Among them, there are 462 state-level demonstration cooperatives and 1030 province-level ones. And the number of professional cooperatives whose members are more than 60 reaches 3 million. Nearly 4000 have registered trademarks. Sales of agricultural products exceeded 40 billion Yuan, increasing of 20.3% over the previous year. The average annual income per household from the farmer's professional cooperative has reached as high as 1300 Yuan. Obviously, farmer's professional cooperatives can bring forth a significant increase in farmers' income.

#### C. Planting or breeding professional households grow steadily

There were more than 120,000 planting and breeding professional households in Sichuan Province by the end of 2015, increasing 10.8% over the same period last year. It is the largest number of all new types of agribusiness. Among them, 15,327 were planting professional households with 17.4% over the previous year increased. The area of farmland under their management reached 1.96 million mu with 44.2% increased. Most of the planting professional households are concentrated in hilly areas, with an average management scale of 30-50 mu. In terms of growth rate, planting and breeding professional households in Sichuan province increased year by year, and the annual growth rate remained about 10% from 2012 to 2015.

#### D. Agricultural leading enterprises have strong driving capacity

By the end of 2015, the number of leading agricultural enterprises in Sichuan Province had reached 8703, with 2.3% increased over the same period in previous years. Among them, there are 60 state-level leading enterprises and 589 provincial ones. The former has ranked first in the country. Agricultural enterprises drive more than 20 million households, accounting for 63% of the total. the deep cooperation between agricultural enterprises and farmers not only improved the added value of agricultural products, which leads to the increase of farmers' income but also alleviated the structural contradiction of "small production, large market" under small-scale farmers.

### IV. VIGOROUS DEVELOPMENT OF NEW PROFESSIONAL FARMERS

Through the construction of education and training, certification management and incentive mechanism, Sichuan province has perfected the current training system of new professional farmers resulting in a number of high-quality new professional farmers with both main production, professional skills and professional service capabilities been cultivated. By the end of 2015, more than 40,000 new types of professional farmers with certain professional skills or professional service have been cultivated.

### V. REALISTIC PROBLEMS OF CULTIVATING NEW TYPES OF AGRIBUSINESS IN SICHUAN PROVINCE

#### A. Duplicate registration weakens policy support effect

In order to strengthen the cultivation of rural new management entities, Sichuan Province has issued a series of policies. For example, if a new rural management entity meets the requirements, they can obtain direct financial support from government agricultural projects. However, the relevant policies neither specify what this requirement is, nor the times that the same new rural management entity can receive financial support from the government. In order to obtain financial support from the government, much new rural management has made duplicate registrations. A same new rural management entity has registered both family farms and agricultural enterprises. It may also be a planting, breeding professional household or farmers' professional cooperatives. A field survey of 826 new types of agribusiness which has conducted by author from September 2016 to March 2017 in Chengdu city, Nanchong city, Guangyuan city, Yibin city and Leshan city shows that 723 of that made multiple registrations. Due to being short of a clear definition of access conditions and proper functions positioning for new types of agribusiness, their registration has guided by securing sponsors for agricultural projects. This is not conducive to their own long-term development, but also diverted the real need for financial support for the development of new types of agribusiness. Obviously, the policy effect of financial support for agriculture has been weakened by multiple registrations of new types of agribusiness.

#### B. Inadequate cultivation of service-oriented new types of agribusiness

Generally speaking, new types of agribusiness can be divided into two categories: production-oriented and service-oriented. The former is directly involved in the production and processing of agricultural products while the latter provides services such as technology, information, logistics for the former. Both of them have a clear division of labor and close cooperation to promote the development of modern agriculture. With the increasing importance of science and technology and cold chain logistics in agricultural development, service-oriented rural new subjects play a more and more irreplaceable role in modern agriculture development because of their high industrial convergence and strong ability to drive related industries development. As the cultivation of the production-oriented new types of agribusiness can achieve obvious results in a short time, the government often attaches much importance to its cultivation but pay less to cultivate service-oriented new types of agribusiness. Of the 826 new types of agribusiness mentioned above, 762 are mainly engaged in production and operation activities such as planting, breeding, rural tourism. The proportion reaches as high as 92.25%. However, being small number, weak service capacity and limited driving, service-oriented new types of agribusiness such as agricultural machinery service cooperatives, which mainly serve pre-production, mid-production and post-production of agricultural production, it has brought negative effects with restricting the scale expansion of the production-oriented new types of agribusiness and weakening further improvement of their management efficiency.

#### C. High rent with difficulty in changing the use

Appropriate scale management of farmland is a common mode adopted by new types of agribusiness. Therefore, the first problem to be solved after its registration is to increasing farmland management area. According to China's current land system, the new types of agribusiness often expand their scale by leasing other farmers' land use rights. However, with the rising of production factors cost the rental cost of farmland has become higher and higher. The field survey mentioned above shows that the land rent in the plain area of Sichuan Province is 800-1000 jin of rice per mu per year, and in the hilly area is 600-800 jin, which reaches up to 30-50% of the net income. At the same time, because farmers often require new types of agribusiness to sign lease contracts once a year, this not only makes the new types of agribusiness face the possibility of rising land rent but also makes them face the risk that farmers recover land use rights unilaterally. This results in a shortage of long-term investment in land by new rural management entities. On the other hand, owing to the rising costs of labor, water and electricity, it is unavoidable that the owners overexploit farmland in order to reduce costs. Some new types of agribusiness even disobey the contract and turn farmland into non-agricultural land. In addition, the development and utilization of farmland will inevitably lead to the demand for non-agricultural land such as field facilities, roads, ditches and so on. However, according to current Chinese law, farmland can only be used for agricultural purposes, and the conversion of agricultural land into non-agricultural land is strictly controlled by national law. The shortage of land for

agricultural supporting facilities is also an important factor hindering the production scale expansion of new types of agribusiness.

#### D. Insufficient development of rural finance and insurance

Due to the lack of sufficient collateral, all kinds of banks are reluctant to lend to new types of agribusiness. Although the central government has repeatedly stressed that financial institutions, including banks, should support the development of new rural operators, they are not very active because of high risks and low benefits. Therefore, new management entities generally have difficulties in loans. Even if they can get bank loans, the interest rate is usually higher. In 2017, Sichuan Province launched mortgage financing pilot projects for rural land management rights and rural housing ownership in 13 counties and municipalities. However, whether banks loan to new types of agribusiness or not mainly depends on their repayment ability. When examining their qualifications for loans, banks focus on their capital flow and financial statements. It is difficult for some new types of agribusiness to obtain bank loans with their small scale and lack of such norms. Simultaneously, the bank's determination of the loan interest rate on depends on new types of agribusiness repayment ability, and the calculation method of interest is not reasonable. For example, Naya family farm received 10 million Yuan of bank credit in 2016, but it can only apply and use this by different project and different stage. Moreover, whether used or not, interest accruals begin on the date of the transfer. Additionally, the current agricultural policy insurance mainly involves rice, corn, rape, reproductive sows, fattening pigs, dairy cows so as that it cannot meet the demand for insurance for the development of new types of agribusiness who mainly engaged in characteristic planting and breeding, such as tea, fruit and vegetable, chicken and duck. In July 2016, the fruit and vegetable farms run by Letian Family Farm in Dayi County suffered a storm. Being short of insurance coverage, losses can only be borne by itself.

#### E. Lack of scientific and technological talents in rural areas

Influenced by poor rural infrastructure and inadequate cultural and entertainment atmosphere, it is difficult for new types of agribusiness such as family farms, farmers' professional cooperatives to attract scientific and technological talents with knowledge, technology and management to find jobs. Even college graduates born in the countryside are reluctant to return home for employment because of the huge gap between rural and urban areas in the working environment, living conditions and wages. Of the 826 households surveyed above, only 3.15% have graduated in employment. Of the 12 managers of Letian Family Farm in Dayi County, none of them were college students. Rongxin Animal Husbandry Family Farm in Shuangliu District, Chengdu city urgently needs scientific and technological talents of animal medicine. However, graduates of relevant specialties are reluctant to return to rural areas, while the left-behind elderly labor force lacks professional skills and work efficiency. As a result, the managers of the family farm have to do everything personally so his scale of operation is limited.

## VI. POLICY SUGGESTION ON CULTIVATING NEW TYPES OF AGRIBUSINESS IN SICHUAN PROVINCE

### A. To Set up access conditions and strengthen supervision

The government should establish access conditions for different new types of agribusiness, and establish information communication systems among different departments such as agriculture, planning and development to reduce their multiple registrations. The government should strengthen the pre-examination of agricultural-related funds projects in order to avoid obtaining project subsidies only. The implementation and completion of the project should be examined and recover the subsidy once the subsidy fund is misused. Finally, the government should also reform of the applying and using requirements of agricultural-related project funds, such as "substituting awards for supplements" and "building first and then supplementing".

### B. To focus on supporting the cultivation of service-oriented new types of agribusiness

The government should reserve a certain proportion of agricultural policy project funds to cultivate service-oriented new business entities, and focus on guiding the development and growth of service-oriented business entities of different scales and different production links. In fruit and vegetable producing main areas such as Chengdu Plain, the government should focus on cultivating market-oriented professional agricultural managers to achieve effective docking of production and marketing; in grain and oil main producing areas such as central Sichuan hilly areas, it should focus on cultivating service-oriented professional cooperatives for production links to meet the needs of pre-natal seedling and agricultural materials, fertilization and pesticide application during production, and post-natal drying, storage and transportation.

### C. To the development of the land joint-stock cooperative system

Land joint-stock cooperation can not only reduce the risk of land rent rising, but also stimulate the long-term and stable input of agricultural production, so that new agricultural operators and farmers can form a "benefit community" of "risk-sharing, benefit-sharing, win-win cooperation", and reduce production and operation costs. The government should encourage new managers to participate in comprehensive land consolidation and construction of high-standard basic farmland, and allow part of the increased land area after consolidation to be incorporated into the construction of agricultural supporting facilities under planning permission. In particular, the government should give land support to large-scale grain producers and professional cooperatives to help them build drying, storage and transportation sites.

### D. To establish benefit-agriculture financial insurance system

The government should encourage financial institutions to gradually promote order mortgage, inventory mortgage and agricultural asset mortgage loans in order to increase financing channels and solve financial problems. The design of the loan

proceeds should focus on reducing the transaction costs of the new types of agribusiness, and the collection of interest should be based on the actual use. The government should improve the agricultural credit guarantee system and make it inclined to the new types of agribusiness, especially those engaged in the moderate scale operation of grain. The government should establish a special fund to share the risk of bank loans. Financial institutions should incorporate grain seed production and superior agricultural products with local characteristics into policy-oriented agricultural insurance, and agricultural insurance products exclusive to new types of agribusiness should be actively explored.

### E. To create a rural entrepreneurship and employment environment

Drawing lessons from the university student village official system, we should actively guide and encourage university graduates to go to rural new economic organizations for employment, so that they can enjoy policies such as social insurance for urban residents, recruitment of grass-roots public servants, promotion of posts, etc. We should encourage university graduates to start businesses in rural areas and give preferential policies in terms of funds, land and social security. At the same time, we will continue to improve public services such as rural infrastructure, cultural and entertainment facilities, and create a rural social environment conducive to entrepreneurship and employment.

## VII. CONCLUSION

Sichuan province has made great achievements in cultivating with family farms developing rapidly, farmers' professional cooperatives increasing gradually, planting or breeding professional households growing steadily, leading enterprises having the strong driving capacity and new professional farmers developing vigorously. However, the following realistic problems still exist: (1) duplicate registration weakens policy support effect; (2) inadequate cultivation of service-oriented new types of agribusiness; (3) high rent with difficulty in changing use; (4) insufficient development of rural finance and insurance; (5) lack of scientific and technological talents in rural areas. So, the government ought to: (1) set up access conditions and strengthen supervision; (2) focus on supporting the cultivation of service-oriented new types of agribusiness; (3) development of land joint-stock cooperative system; (4) establish benefit-agriculture financial insurance system; (5) create a rural entrepreneurship and employment environment.

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