The Ways of Realizing Industrial and Commercial Capital to Promote Doubling Income of the Farmer

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Abstract. The entry of industrial and commercial capital into China’s “three rural” area can promote rural economic growth, helping to revitalize the rural stock assets, and it is one of the important ways to double the income of the farmer in China. Under the actual situation of the change of the marginal rate of return of traditional agriculture and the continuous promotion of agricultural industrialization in China, the industrial and commercial capital in traditional industry seeks new profit space and forms the endogenous driving force to enter the “three rural” area. The government’s policy support forms the exogenous driving force, which makes it possible for industrial and commercial capital to promote the doubling of the farmer’s income.

Introduction

The 18th national congress of the CPC put forward a plan to double the income of urban and rural residents in China. The per capita disposable income of Chinese farmers is growing slowly, and the ratio gap between urban and rural residents is still large. Therefore, the income structure of farmers needs to be further optimized. With the implementation of the plan to double the farmer’s income, and in view of the lack of investment in “three rural” area, the central government has not only built a long-term mechanism of input growth, but also encouraged social forces to invest in “three rural” area, forming a diversified approach to increase income.

The introduction of industrial and commercial capital helps to increase the farmer’s income, which refers to guiding industrial and commercial capital to establish a closer link mechanism between production and sales with farmers, so as to hand over production to farmers, process, sell and circulate to industrial and commercial capital, and finally enable both industrial and commercial capital and farmers to make profits in the agricultural value-added industry.

The Realistic Condition of the Industrial and Commercial Capital Entering “Three Rural” Area

Industrial and Commercial Capital Enters “Three Rural” Area in Various Forms

The combining forms of industrial and commercial capital with peasant household have been developing constantly, such as “industrial and commercial capital + enterprise + peasant household”, “industrial and commercial capital + village committee + peasant household”, “industrial and commercial capital + intermediary organization + peasant household” and “industrial and commercial capital + base + peasant household”.


Industrial and Commercial Capital Entering “Three Rural” Area Has Been Facing Lots of Difficulty and Risk

As the main body, the government, industrial and commercial enterprises and farmers business capital are facing many difficulties at present when entering “three rural” area. Firstly the government lack of long-term planning before the industrial and commercial capital entering the “three rural” area, and correct guidance in the process of entering. What’s more, the lack of perfect service system and supervision mechanism existing after entering, ignoring the voice and interests of the farmers, resulting farmers in the damage of the contracted management of land and collective income allocation. Secondly, some industrial and commercial enterprises blindly pursue interests, and change the use after renting agricultural land, affecting national food security. Thirdly, at present, the organization level of the farmer is generally low, and the ability to grasp market information and safeguard rights is insufficient, which often causes damage to the farmer’s land contract right, collective income distribution right and agricultural trade income right, thus forming a serious restriction on doubling the farmer’s income.

The Way to Realize Doubling the Famer’s Income Based on Industrial and Commercial Capital Entering “Three Rural”

The Driving Force of Industrial and Commercial Capital Entering “Three Rural”

Low Marginal Returns on Agricultural Production Are Changing. For a long time, the marginal yield rate of China’s agricultural production is lower than other industries for special reasons. First, irresistible natural disasters make agricultural production suffer more damage than any other industry. Second, the impact of the epidemic is relatively small in other industries. The third reason is the system and the understanding reason, and long-term policy “by the agriculture supplement work” causes the agricultural production marginal benefit is lower than any other industry. However, with the deepening of market reform and the substantial improvement of people’s living standards, China’s modern agricultural development has entered the capitalized era. At this stage, capital increase, improving agricultural production conditions, agricultural production, operation scale and intensive agriculture, standardization, specialization, branding, production level enhanced unceasingly, the quality of the agricultural efficiency, effective supply of agricultural products and the quality and safety had been great improved, making the traditional agriculture to achieve the modern market unceasingly, and it has fundamentally changed the status that the marginal return rate of the agricultural production staying low, so as to laid a solid foundation to attract capital enter industry and commerce.

The Pursuit of Profit is the Endogenous Driving Force of Industrial and Commercial Capital Entering “Three Rural”. Theoretically speaking, the profit-oriented capital makes the business capital investment flow from the field with low marginal rate of return to the field with high marginal rate of return. With the rapid development of China’s economy, the contradiction between the supply of industry and commerce exceeding the demand is increasingly prominent, and the market competition is becoming increasingly fierce. The marginal rate of return of industrial and commercial capital in traditional industries is constantly decreasing. And at the same time, the development of science and technology has been constantly improving the agricultural industrialization degree. Even if encounter force majeure serious disasters, agriculture also can avoid it by adjusting the product structure, the mode of operation, and can also get the
corresponding compensation by all kinds of insurance. For industrial and commercial capital, the earlier it enters the agricultural sector, the earlier it can use the priority resources of the agricultural sector to ease the pressure of fierce competition in traditional industries. And, with the improvement of people’s living standard, the agricultural products market demand structure is undergoing profound changes, agriculture is now going into the era of high price, high quality, safe and convenient demand for agricultural products, so agricultural investment has a rich and stable returns, and there is a big profit space, which is the endogenous driving force of the industrial and commercial capital entering agriculture.

**Policy Support Forms the Exogenous Driving Force of the Industrial and Commercial Capital Entering “Three Rural”**. The central government has issued document No. 1 covering “three rural” areas for more than a decade, setting up a policy system of agricultural support and protection, strengthening various measures to develop agriculture, and these policies benefit farmers creating a good atmosphere for the construction of modern agriculture. Local governments put out preferential policies. On the one hand, the government not only called off a variety of taxes in the agricultural production, circulation in recent years, and in 2006 comprehensive abolished taxing based on the unit of land area. At the same time, more preferential supporting policies were adopted for land use and labor use of agricultural industrialization enterprises, which greatly reduced the investment cost and operation cost of agricultural industrialization enterprises and effectively protected the interests of investors. On the other hand, the country’s massive investment in infrastructure has greatly improved rural transportation, radio and television communication, etc. The direct transaction cost and indirect transaction cost of agricultural industrialization are not higher than other industries, and the average return rate of investment in agricultural industry is more secure and reliable than other industries to some extent.

**Industrial and Commercial Capital Promote the Realization of Increasing the Farmer’s Income**

**Industrial and Commercial Capital Element Is the Main Source that Promotes Rural Economy to Grow**. For a long time, China has been divided into various production factors due to institutional and cognitive problems, and the agricultural production factors are basically labor and land. The main source of agricultural capital base is composed of three parts: the accumulation within the department, national finance and professional credit, while the industrial and commercial capital is excluded for a long time, which leads to the serious lag of agricultural development. The transformation of agricultural production from small production to large-scale industrialization is difficult to be realized only by the endogenous accumulation of agriculture, and the entry of industrial and commercial capital becomes the supporting force of external factors to promote agricultural development and realize the doubling of farmers’ income.

**The Entry of Industrial and Commercial Capital into “Three Rural” Is an Important Catalyst for Revitalizing Rural Stock Assets**. Among many factors of production, industrial and commercial capital has the most vitality. The entry of industrial and commercial capital into “three rural” is conducive to revitalizing a large amount of rural stock assets, making them return to the property of capital, promoting agricultural industrialization and ultimately achieving the goal of increasing farmers’ income.
Summary

Based on the above analysis, the way that the industrial and commercial capital enters “three rural” to double the farmer’s income could be expressed like this. Along with the implementation of the system of peasant household land mobility, the improvement of rural infrastructure and the advancement of agricultural industrialization, traditional agricultural marginal yield situation is changing, forming the endogenous driving force for industrial and commercial capital entering the realm of “three rural”. At the same time, industrial and commercial capital in traditional industries needs to seek new profit space due to the intensification of market competition and the increase of idle capital. Driven by the government’s policy of “three rural”, industrial and commercial capital can enter “three rural” areas. After industrial and commercial capital entered “three rural” areas, combined with a large amount of rural stock assets, it would promote the adjustment of rural industrial structure and increase farmers’ non-agricultural income and agricultural operation income, and finally promote the realization of the plan to double the farmer’s income.

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References