

# Linking Small Scale Farmers in China with the International Markets: A Case of Apple Export Chains

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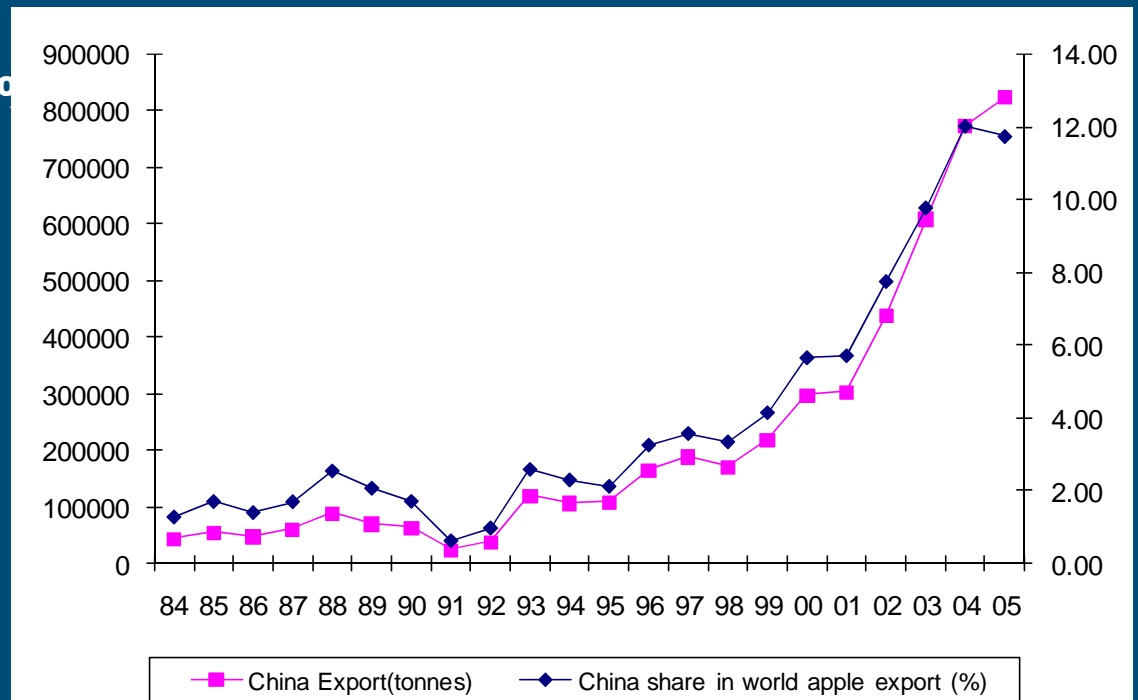
# Introduction

- In Just two decades, China has become the world largest apple producer and exporter:

42% in world production and 14%

- Why and How?**

Given all small scale farm production.



## Methodology

- Two qualitative research techniques:
  - Focus Group discussion
  - Individual in-depth interview
  - In the leading export province Shandong (44% in volume and 55% in value)
- Chain Actors:
  - Producers, collectors, packers, exporters, importers, auctioneers, and policy makers

# The Enabling Environment

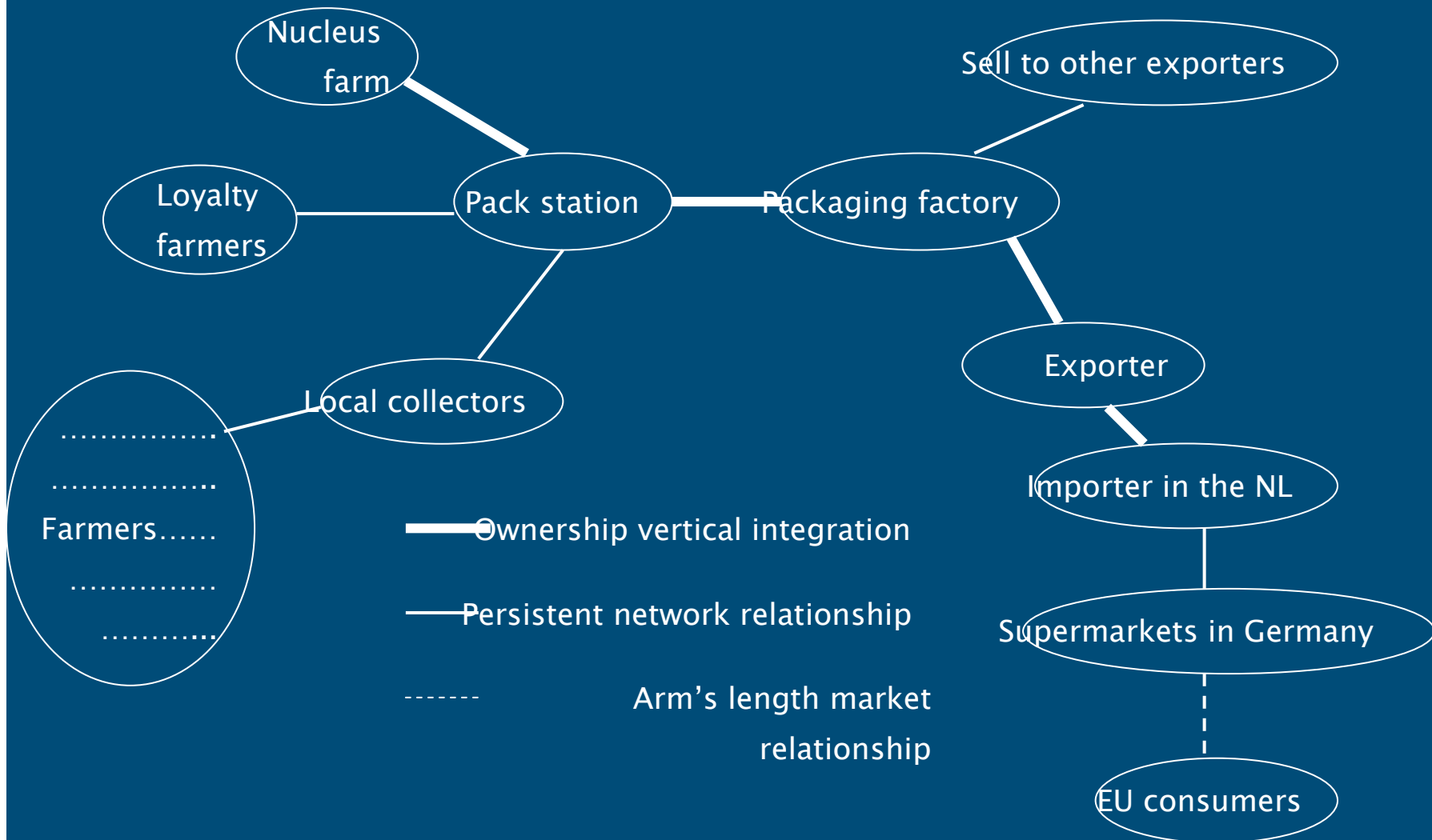
- Domestic Market Liberalization
  - Freedom to produce (HRS)
  - Freedom marketing and trade
- Global Integration
  - China's WTO entry in 2001
  - Safety and Certifications from both public and private sectors
- Pollution-Free Action Plan
  - Safe food in China 2001
  - Basic quality certification

# Chain Analysis---Value Distribution Approach

Apple Price Formulation: an example of grade 2 Fuji apple

Chain stages	Added Value (RMB)	Price Formulation	Price accumulation (%)
Farm	4	4	20
Local collection	0.42	4.42	4
Storage	0.80	5.22	5.2
Export, leaving from Qingdao	1.03	6.25 (FOB price)	2
Arriving at Rotterdam harbor	0.45	6.7 (CIF price)	8.9
Import	1.77	9.47	4.9
Wholesale	0.98	10.45 (wholesale price in EU)	<b>47.75</b>
Retailing	9.55	20	100

# Chain Analysis--- Governance Approach



# Chain Analysis --- Institutional Approach

	Production	Packaging	Trade	Consumption
<b>Public Institutions</b>	Cooperative Law	Labor Law	Customs	Food Safety Laws
	Land Tenure	CIQ	CIQ	
	CIQ		WTO, bilateral agreement	
			Compulsory standards	
<b>Private Institutions</b>	EurepGAP / GlobalGAP	Corporate Social Responsibility	Private standards	Cultural preference
		HACCP		

CIQ: China Entry-Exit Inspection and Quarantine Services.



# Chain Analysis: comparison of governance

## modes

Modes	Objectives	Chain Co-ordinations	Institutional Environment
<b>1. Multi party network</b>	Getting more top grade apples	Network based	Land tenure
<b>2. Preferred farmers</b>	Stable quality suppliers	Persistent Relationship	Trust
<b>3. Nucleus farm</b>	Demonstration	Vertical Integration	Corporate Law
<b>4. Cooperatives</b>	Efficient chain performance	Equity-based	Cooperative Law
<b>5. Contracting</b>	Specific demand	Specification contracts	Contracting Law

## Observations and Implications

- Globalization is used as an instrument in the Chinese apple development cycle
  - Starting domestic market liberalization
  - Increasing production
  - Pursuing safety and quality
  - Entering international market
  - Back to domestic market again...(don't forget cultivate domestic markets)
- China has a reactive institutional mechanism
  - Adjusting domestic measures to export market demand
  - Taking on board of both public and private requirements in their responsibilities
  - Special measurements for export zones (particularly for resource constraint countries).

Thanks and XieXie! 谢谢