

Article

Commercializing-based Rural Poverty Alleviation Model (CBRPA Model) and Internal Cycle Growth

Chih-Hung Yeh

School of International Business, Xiamen University Tan Kah Kee College, China; yfn8@ymail.com

Received: Mar 24, 2021; Accepted: Aug 28, 2021; Published: Sep 30, 2021

Abstract: This paper explores and brings forth a persistent resilient self-motivated or self-growth-driven rural poverty alleviation model based on the commercializing-based rural poverty alleviation (CBRPA) model. The CBRPA model encompasses systems or mechanisms of integrated contract farming, regional integrated processing, and agricultural association. Although China has made brilliant achievements in rural poverty alleviation since opening-up in 1978, it still lacks a self-growth-driven rural poverty alleviation system or mechanism. Thus, this paper discusses the rural poverty alleviation achievements and policies of China. It explores various solutions, formulates proper structure, and proposes a CBRPA model. Implementation of the CBRPA model requires the establishment of the agricultural association, integrated contract farming companies (ICFCs), and regional integrated processing companies (RIPCs). The paper also discussed the importance and contribution of rural poverty alleviation to economic growth as well as China's major economic strategy of double cycle growth. As the CBRPA Model generates a self-growth-driven rural poverty alleviation pattern that is implemented all over the country, it makes an important strategy for internal cycle growth to mutually facilitate external cycle growth.

Keywords: Poverty Alleviation, China, Commercializing-based Model, CBRPA Model, Integrated Contract Farming

1. Introduction

Rural poverty alleviation is an agenda for less-developed countries around the world. China has made a remarkable achievement to get over this as the country has attained through pragmatic problem-solving measures, thoughtful and prudent planning, and dedicated implementation. China had been formulating rural poverty alleviation policies with the development plans for each progressing stage. The five stages since 1978 have different objectives and focus. With over forty years of rural poverty alleviation experience, China has taken all measures in combating poverty. Nevertheless, there has not been a self-motivated and self-growth-driven mechanism. Therefore, a system or a model is required to scale up the farming and value-added processing, and the strategy for achieving the goal in the same area is demanded. For this, it is necessary to understand how rural poverty alleviation contributes to internal cycle growth (IGC) and hence economic growth and how it affects China's current double-cycle growth (DCG) model for the coming five years.

2. Major Future Subject of China's Rural Poverty Alleviation

Since its opening to the global market in 1978, China had made outstanding achievements in rural poverty alleviation. It has been made through pragmatic problem-solving measures, thoughtful and prudent planning, and dedicated implementation. However, it still lacks a self-motivated or self-growth-driven mechanism.

2.1. Achievements of Rural Poverty Alleviation since Opening-up in 1978

In 2019, the rural net income per capita in China was RMB 9057 (China Daily, 2020) or USD 1298. The gross national income (GNI) per capita was USD 10410 in 2019, which allowed China to graduate from low-income countries that are defined by the World Bank. The rural poverty population was estimated to be 16.6 million as of 2018 in China, which represented 1.2% of the total population as over 1.1 million has been reduced from 2015 to 2019 (National Bureau of Statistics of China, 2019). China plans to reduce rural poverty by 2020. (State Council, 2016).

However, the decrease in the rural poverty population and poverty incidence rate has slowed since 1978. Though the population in rural poverty showed abrupt increases twice at 1999 and 2011 due to the change of the criteria, the rural poverty incidence has

been dropping from 30.7% in 1978 to 1.7% in 2018 and 0.6% in 2019. The population decreased from 250.0 million in 1978 to 16.6 million in 2018 and 5.5 million in 2019.

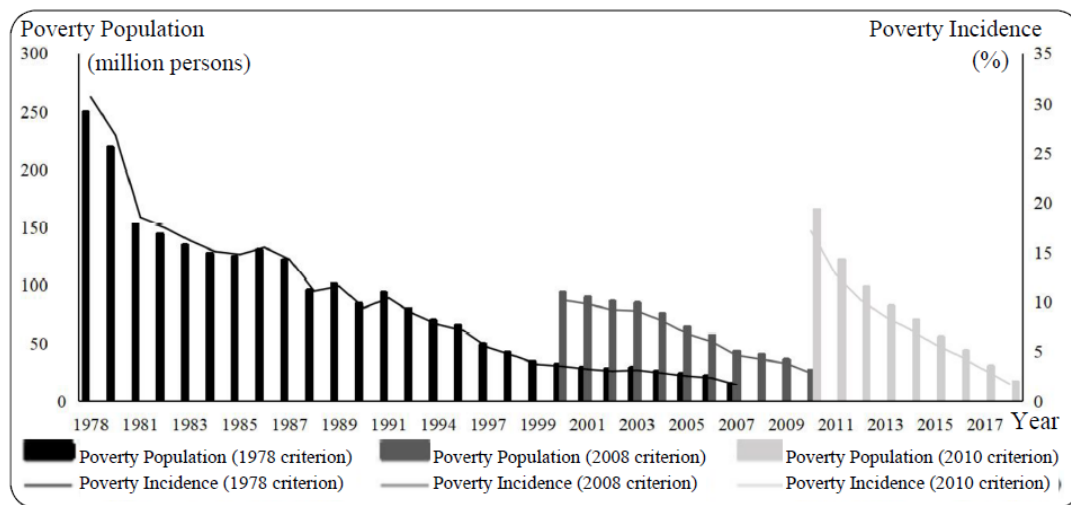


Fig. 1. China's rural poverty population and incidence trend, 1978~2018.

2.2. Policies Regarding Rural Poverty Alleviation since Opening-up in 1978

China's outstanding achievement in rural poverty alleviation has been attained by pragmatic problem-solving measures with thoughtful and prudent planning and implementation according to the country's development plans at progressing stages. From 1978 up to the present, policies have undergone the following five stages.

2.2.1. System Reform (1978–1985)

- The system of household contract farming replaced the collective farming system under the people's commune. Introduced incentive and brought profound motives to improve the living through diligence and better farming measures.
- Gradual price increase of the farming produces reflected the market values and brought increased revenue.
- Increased movement or commute from rural to urban areas rendered more working opportunities.

2.2.2. Institutionalized Poverty-alleviation (1986–1993)

- The establishment of specific poverty alleviation departments at various levels of government with notable favorable or subsidy funds aimed to tackle the improvement of the living condition in the rural areas as many rural residents could not afford basic living commodities due to fast increasing prices.
- Execution of rural development plan aimed to improve farming productivity and rural living environments and render at least temporary works.

2.2.3. Thorough Poverty-alleviation Plan: All Folks above Basic Living Level (1994–2000)

- The promulgation of the "National Eighty-seven Obstacles-overcoming Poverty Alleviation Plan (1994–2000)" for comprehensive poverty alleviation was released in March 1994. It was a well-orchestrated plan with a specific objective, target poverty people, measures, and implementation period to lift the eighty million poverty populations above at least the basic level of living substances in seven years from 1994 to 2000. The objective was largely accomplished.

2.2.4. Thorough Poverty-alleviation Plan: Lift Folks to Better Living Levels (2001–2010)

- The "China Rural Poverty Alleviation Development Program (2001–2010)" was announced as China's second comprehensive poverty alleviation plan with extensive and intensive measures and emphasis on the development of rural areas. It aimed at letting the rural population have better living with basic commodities, at least to certain extents, to ensure not remaining at the basic level. The aim was mostly attained.

2.2.5. Thorough and Reinforced Lift Plans: Lift All Folks above the Poverty Line (2011–2020)

- Six years after the following-up “China Rural Poverty Alleviation Development Program (2011~2020)” announced in December 2011, one reinforced lift plan was brought forth. “The 13th 5-year Obstacles-overcoming Poverty Lift Plan” promulgated in November 2016, made intermediate fine adjustments and reinforcements in implementation measures and efforts. With the reinforced lift plan, China targeted to extinguish poverty by the end of 2020. It narrowed the income gap between the original poverty population in rural areas and the overall non-poverty population. There were also other comprehensive objectives with specific figure targets. Judging on the present progress, these objectives shall generally be achieved.
- Almost all measures have been undertaken with over forty-year experience and determination to accomplish the planned objectives. China has been undertaking all measures in every aspect of rural alleviation: Assurances/ encouragements and/or subsidies to farming/sales cooperatives, setting up wholesale market/capability, engaging in e-commerce/conventional commerce, farming know-how, financing, produce processing facilities, setting up logistics facilities/ capabilities, retail shops, restaurant, bed and breakfast (B&B) business, tourism business, local or non-local non-farming works, housing, relocation, pensions, medical care, education, accidents, and so on. The governments conduct industrial/agricultural developments, construction of all kinds of infrastructure, public utilities, development projects, etc.

2.3. Major Negative Factors to Be Tackled

For more than the past four decades, China has been devoting tremendous efforts, workforce, resources, and rural poverty alleviation funds. It has then made extraordinary achievements and almost eliminated rural poverty as of 2020. The key to keeping successful is to have a viable commercializing model for farming households. The concept has been known by many rural poverty-alleviation planners and found in many related plans. However, the concept was not implemented yet.

2.3.1. Backward Farming Know-how

This is a problem that might be most effectively handled or assisted by government initiatives.

2.3.2. No Business Expertise

This is probably the most difficult problem to solve as the young people of the rural poverty households have been mostly moving out for careers and usually do not obtain the expertise.

2.3.3. Small Scale

Small scale exists in almost every stage of the rural poverty farming households who do not afford the economy of scale: farming, produces processing (e.g., washing, grading, various treatments, and packaging), logistics(warehousing and transporting in a cold chain), packaging, and marketing and branding.

2.3.4. Low Value-added

The rural poverty households mostly stay just at the beginning of the supply chain which creates low added value. The household must sell their products directly to consumers, which requires the households to adopt related technology and infrastructure.

2.3.5. No E-commerce Expertise

A cost-effective way to sell the products directly to final consumers is through e-commerce. Thus, the rural poverty households need training and education to be e-commerce expertise.

3. Commercializing-based Rural Poverty Alleviation Model (CBRPA Model)

Tackling all the above-mentioned problems requires a model which functions effectively which relieves the government’s burden. The rural poverty households need to have a higher income than now, which needs a viable commercializing model. How to provide workable solutions is a critical agenda to consider.

3.1. Solutions to the Negative Factors

The solutions allow the rural poverty households to earn the highest possible income from farming and related works while the governments assist and support with a less burden.

3.1.1. Agricultural Associations for Disseminating or Training Updated Agricultural Know-how

The governments have the resources, personnel, and organizing capability to help establish the agricultural associations (AA) and ensure them to function properly. All the households or people join as members of the association, not only those in poverty. The government gradually leaves the association to have autonomy.

3.1.2. Business Expertise Training

The training is carried out through the associations. The effectiveness of the training depends on the learning capability of the people.

3.1.3. Integration and Proper Scale

As a small scale exists in almost every stage of the supply chain, they need appropriate integration to attain economic scale and engage in respective supply-chain stages viable.

3.1.4. Integrated Contract Farming

The government needs to set up an integrated contract farming company (ICFC). ICFC utilizes modern farming expertise and equipment on integrated farming to attain optimal cost-effectiveness. ICFC offers net income as the annual concession fee. ICFC employs the household members and shares the profit according to the size of a farming field. The concession contract shall be made under the consent of appropriate years.

With proper governing rules, the government encourages private and government-owned enterprises to set up ICFCs to promote the integrated contract farming and competition. Competition among ICFCs promotes the efficiency, relationship, interests, and benefits of the members.

To have an optimal economic scale for processing or logistics, there shall be the concept of regional integration as the domain for integration, not limiting to a village basis.

- Farming – Achieving optimal farming efficiency requires large farming areas. However, it is complicated to integrate small household farming fields. The modern farming equipment and expertise are also mostly beyond the reach of poverty farming households. One possible optimal solution is the integrated contract farming.
- Processing - Processing involves various processes including washing, grading, packaging, and so on. It requires machinery, equipment, and facility. To achieve an economic scale, it usually needs to process a huge quantity of products. Hence, collecting products is necessary. It needs a regional integrated processing (RIP). The government sets up a pioneering RIP company (RIPC) to render processing for rural farming. With proper regulatory rules, the government encourages private and government-owned companies to establish RIPC.
- Logistics - Warehousing and transporting in a cold chain involve equipment, facilities, machinery, and vehicles. This needs regional integration, too. As the logistics industry has been quite well grown in China, the government just needs to give proper encouragement to the logistics companies to set up suitable operations.
- Packaging - Packaging needs a relatively simple machine. It is easy to design and acquire.
- Marketing and Branding - For small farming businesses, the government or an association guide and assists to brand and market the products to some extent. In the long run, the small farming businesses need to do it by themselves. However, the association still needs to provide updated information and knowledge through training regularly.

3.1.5. Sales to Final Consumers

Small farming businesses sell their products directly to final consumers on local markets or nearby urban markets. To increase the product value, they need to do it by themselves. This requires proper equipment, which RIPC supports at a reasonable cost.

3.1.6. E-commerce Undertaking

To sell products through e-platform is relatively simple. The government or the association assists to select a suitable platform, design a logo, set up the electronic store, decide an appropriate product combination and proper product lines, set a suitable price structure for attracting target customers, and so on. It should not be challenging to run electronic stores. Advisors are invited through the association.

3.2. Commercializing-based Rural Poverty Alleviation Model (CBRPA Model)

Putting together the solutions allows a scheme or model for running rural farming businesses that are viable and connected to final consumers for creating added value and productivity. This is the commercializing-based poverty alleviation model (CBRPA Model) in which primary efforts in China are put on the establishment of AAs, ICFCs, and RIPC. The model is a resilient and self-growth-driven rural poverty alleviation model to implement. Fig. 2 shows the concept of the CBRPA model.

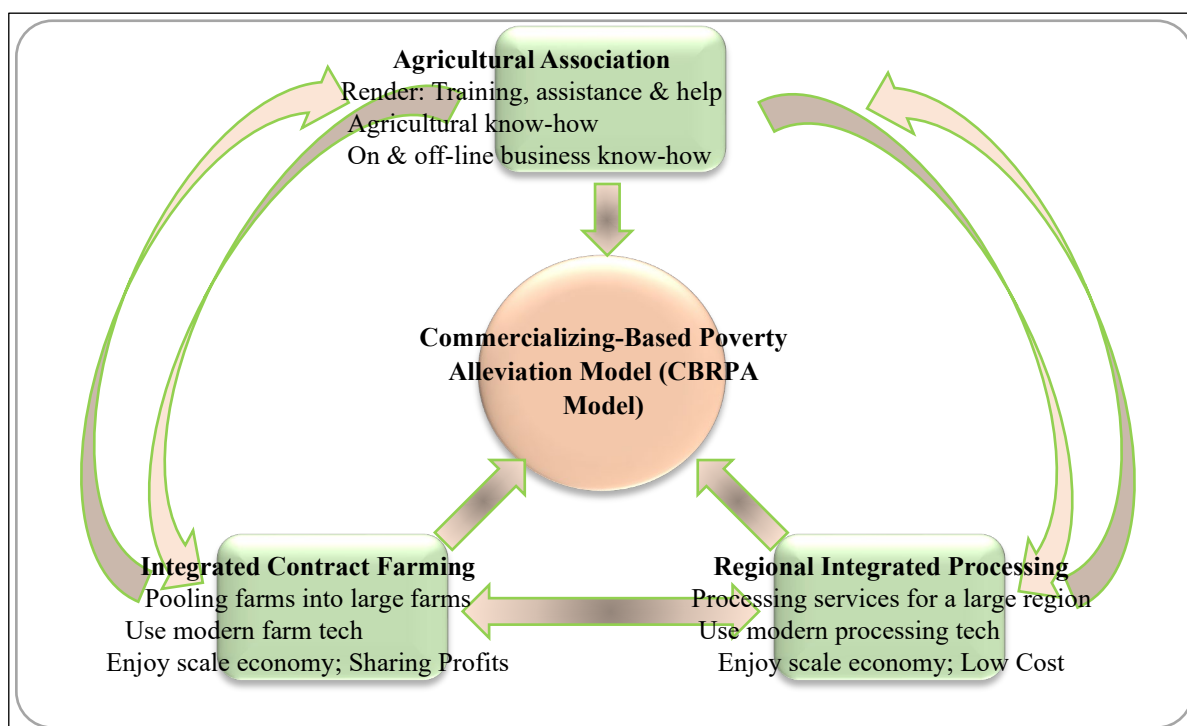


Fig. 2. Commercializing-based Poverty Alleviation Model (CBRPA Model).

4. CBRPA Model as an Important Internal Cycle Growth Strategy

According to the statistics, people with low income have a high growth rate in income and consumption. Rural poverty households have had a high growth rate of income. Hence, rural poverty alleviation has contributed to economic growth. Currently, China formulates a double-cycle growth model as its major development model. As the CBRPA model is a self-growth-driven rural poverty alleviation mechanism, it shall be an important inner cycle growth strategy.

4.1. Double Cycle Growth Mode

The Standing Committee Meeting of Political Bureau of the Communist Party of China (CPC) Central Committee on May 14, 2020, stated that “Taking full advantage of the country’s super huge market scale and potential of domestic demand, to construct a mutually facilitated internal and external new double-cycle growth mode” (Xinhua News Agency, 2020a). The phrase “Double Cycle Growth” was first brought forth. It has had been repeatedly emphasized on many important occasions. It was contained in the 14th 5-year Plan (2021-2025) for the National Economic and Social Development (Xinhua News Agency, 2020b) As approved by the 5th plenary session of the 19th CPC Central Committee on October 29, 2020 (Fig. 3), China’s domestic consumption contribution to GDP has increased, while net exports have decreased. The double cycle growth model is a major economic growth strategy of China for five years.

4.2. CBRPA Model as an Important Internal Cycle Growth Strategy

The importance of rural poverty alleviation is found in the statistics regarding consumption of rural, urban, overall people, rural disposable income, GDP per capita, and overall GDP (Table 1). From 2014 to 2019, China’s rural consumption per capita consistently grew much faster than urban consumption, rural disposable income, GDP per capita, and overall GDP.

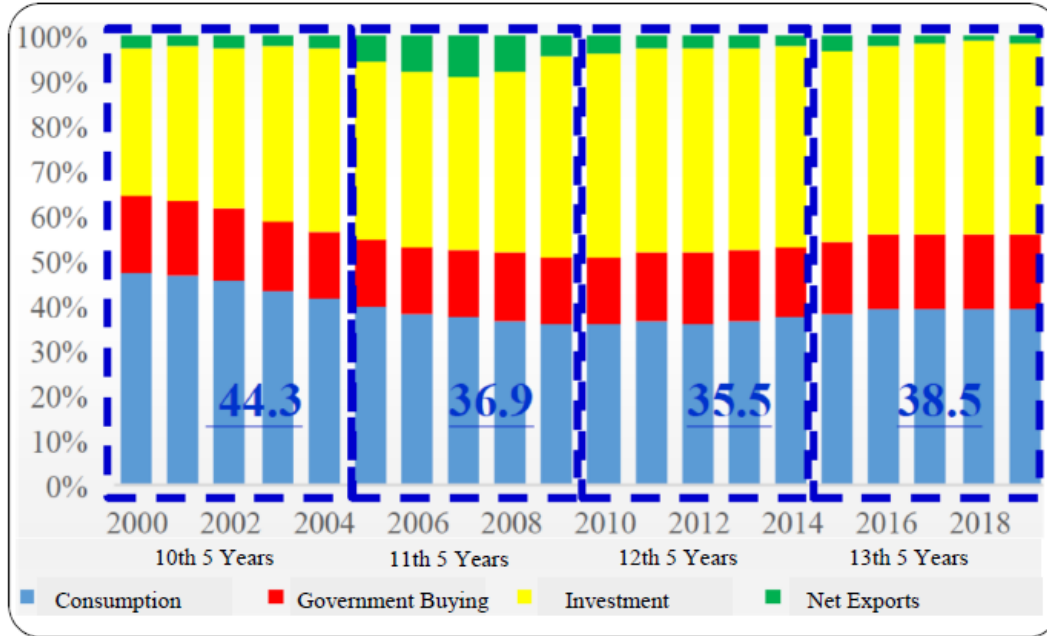


Fig. 3. China’s composition proportions of GDP, 2000–2020.

The growth rate of China’s rural consumption has been higher than rural disposable income, urban consumption, per capita GDP, and overall GDP. Furthermore, the net income per capita of the rural poverty population increased from USD 630 in 2016 to USD 1380 (China Daily, 2020). With a compound annual growth rate of 30.0%, the growth of the income of the rural poverty households contributed to the growth of domestic consumption and the overall economy in China. As the CBRPA model helped generate a persistent resilience as a largely self-growth-driven rural poverty alleviation mechanism, it is an important strategy of internal cycle growth from 2020 to 2025.

Table 1. China’s rural consumption and GDP, 2014–2019.

Year	2014	2015	2016	2017	2018	2019
GDP (RMB billion)	99,087	91,928	83,204	74,640	68,886	64,356
Growth rate	7.8%	10.5%	11.5%	8.4%	7.0%	8.5%
GDP per capita	70,892	66,006	60,014	54,139	50,237	47,173
Growth rate	7.4%	10.0%	10.9%	7.8%	6.5%	8.0%
Rural Income per capita	16,021	14,617	13,432	12,363	11,422	10,489
Growth rate	9.61%	8.8%	8.6%	8.2%	8.9%	11.2%
Consumption per capita	27,563	25,378	23,070	20,877	18,929	17,271
Growth rate	8.6%	10.0%	10.5%	10.3%	9.6%	10.6%
Urban Consumption/person	35,716	33,308	30,959	28,600	26,413	24,508
Growth rate	7.2%	7.6%	8.2%	8.3%	7.8%	8.5%
Rural Consumption/person	15,023	13,689	11,940	10,493	9,365	8,508
Growth rate	9.75%	14.6%	13.8%	12.0%	10.1%	13.1%

5. Concluding Remarks

With pragmatic problem-solving measures over forty years, prudent planning and dedicated implementation of China's rural poverty is in progressing stages. China has made tremendous achievements in rural poverty alleviation and plans to eliminate the rural poverty population by 2020. The population was 250 million in 1978. Almost all the possible measures have been adopted. However, a self-driven mechanism for rural poverty alleviation still lacks as the government gradually hopes to decrease the burden to an acceptable level. Therefore, this research proposes a CBRPA model that encompasses the systems of Integrated Contract Farming, Regional Integrated Processing, and Agricultural Association. As the CBRPA model generates a persistent, resilient, and self-growth-driven rural poverty alleviation mechanism, it becomes an important Internal Cycle Growth Strategy. Furthermore, CBRPA Model shall be also applicable to rural poverty alleviation in many less-developed countries around the world.

Funding: "This research did not receive external funding" or "This research was funded by NAME OF FUNDER, Grant No. XXX".

Conflicts of Interest: The authors declare no conflict of interest.

References

1. China Daily (2020). *China's Poverty Alleviation Efforts in Numbers*. Beijing, P. R. China: China Daily.
2. National Bureau of Statistics of China (2019). *China Statistical Yearbook*. Beijing, P. R. China: China Statistics Press.
3. State Council, P. R. China (1994). *National Eighty-seven Obstacles-overcoming Poverty Alleviation Plan*. Document number: Guo Fa 1994 p. 36.
4. State Council, P. R. China (2016). *The 13th 5-year Obstacles-overcoming Poverty Lift Plan (in Chinese)*. Document number: Guo Fa, p. 64.
5. Sun, J., & Xia, T. (2019). China's Poverty Alleviation Strategy and the Delineation of the Relative Poverty Line after 2020: An Analysis based on Theory, Policy, and Empirical Data. *China Rural Economics*, 10: 1-16.
6. Tan, W.P. (2018). *China's Approach to Reducing Poverty: Taking Targeted Measures to Lift People out of Poverty*. International Poverty Reduction Center in China.
7. World Bank (2020). *Poverty & Equity Brief - China*. Washington D.C., USA.
8. Xinhua News Agency (2019). *The Report Shows China's Contribution to Global Poverty Reduction*. Beijing, P. R. China: Xinhua News Agency.
9. Xinhua News Agency (2020a). The Standing Committee Meeting of Political Bureau of the Communist Party of China Central Committee, Beijing, P. R. China: Xinhua News Agency.
10. Xinhua News Agency (2020b). The CPC Central Committee's Proposals for the Formulation of the 14th Five-Year Plan for National Economic and Social Development and the Long-range Objectives through the Year 2035, November 3, Beijing, P. R. China: Xinhua News Agency.

Publisher's Note: IJKII stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.

Copyright: © 2021 The Author(s). Published with license by IJKII, Singapore. This is an Open Access article distributed under the terms of the [Creative Commons Attribution License](https://creativecommons.org/licenses/by/4.0/) (CC BY), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.