

E-commerce Development and Poverty Reduction in Rural China

Prof. Nie Fengying, Deputy Director General, Agricultural Information Institute (AII) of Chinese Academy of Agricultural Science (CAAS)

niefengying@caas.cn

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Background

Poverty Reduction: the Government's Top Priority

- China has adopted various means to reduce poverty, including agricultural development, tourism, e-commerce, assets income, science and technology
- Poverty reduction through e-commerce was officially incorporated into the mainstream poverty alleviation policy system in China since 2014

E-commerce: the Important Driver of the Era

- E-commerce in rural China has developed rapidly, which has become an important driving force for rural transformation, structure optimization, trade promotion, employment innovation, and increasing of farmers' income

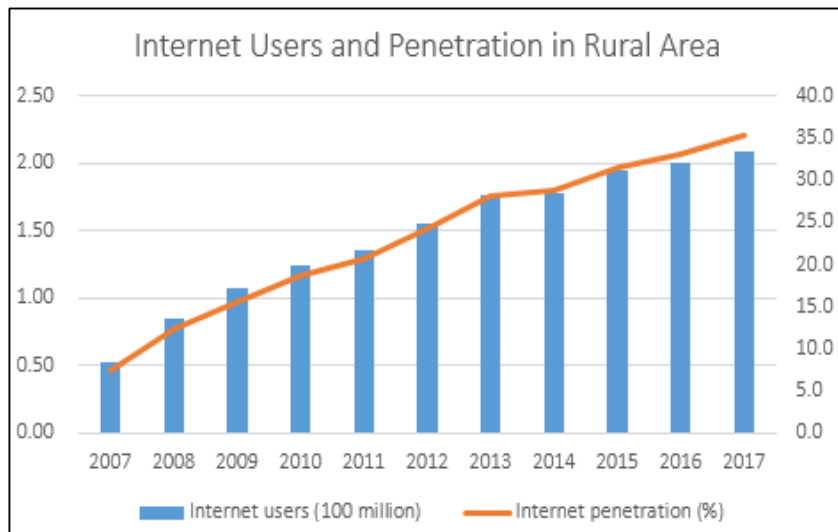


Figure 1: Internet users and penetration in rural area
Data source: CNNIC

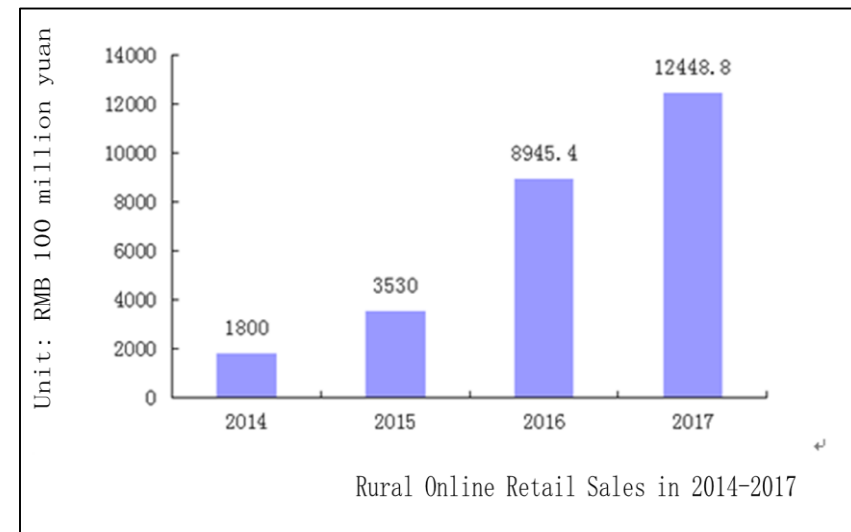


Figure 2: Rural online retail sales in 2014-2017
Data source: Li Mingtao's presentation in August 2018

E-commerce Enterprises in Rural Market

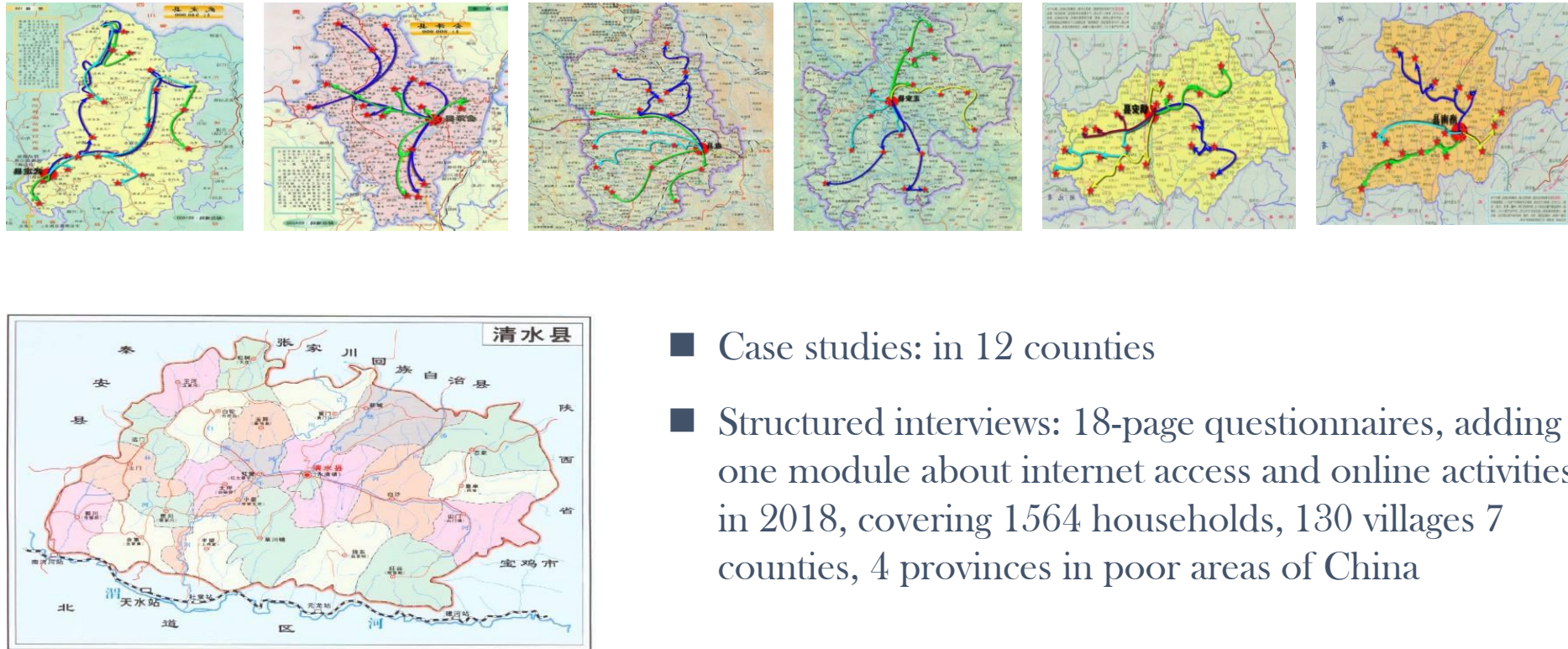
- Alibaba: “1000 counties & 10,000 villages program” (>30,000 villages) ; by the end of 2017, rural online stores (9.86 million), employment opportunities (28 million people); Taobao towns (242 in 24 provinces) ; Taobao villages (2118)
- JD.COM: county-level service centers and JD.COM help service stores (300,000 administrative villages in more than 1,700 counties)
- Suning: Suning.com rural stores (1,770); authorized service stations (10,000) in more than 1,000 counties
- Micro business: the scale of China's micro-business sector expected to reach RMB 6.8 trillion yuan in 2017

Data source: Li Mingtao's presentation in August 2018



Methods

Case studies and quantitative analysis



- Case studies: in 12 counties
- Structured interviews: 18-page questionnaires, adding one module about internet access and online activities in 2018, covering 1564 households, 130 villages 7 counties, 4 provinces in poor areas of China



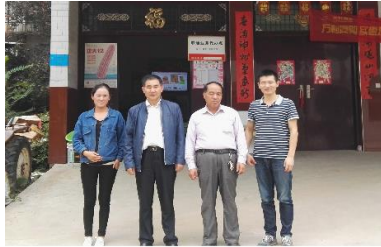
Results

(1) Key factors in successful models

- Skilled farmers
- Competitive products
- Cooperatives or companies
- Infrastructure & logistics
- Government support



(2) E-commerce models



Internet Plus poverty relief through industrial development

E-marketing, Win-Win cooperation between e-commerce enterprise and farmers, A new e-commerce enterprise-led chain



Inclusive model of the e-commerce enterprise

After gaining successes from e-commerce sales of agri-food, Meinong of Shanxi provides jobs for rural women and the poor



E-commerce empowering rural residents living with poverty

A disabled girl started her own business on the Taobao platform with higher income and more confidence and happiness



(3) ICT infrastructure and services in villages are improving...

- **96.9%** had access to internet in 2018, comparing with 68.5% in 2012; **96.2%** had been covered by 4G signals in 2018, comparing with 49.2% in 2015
- **50%** of the sampled villages had e-commerce service centers in 2018, and **21.5%** were in the form of rural Taobao

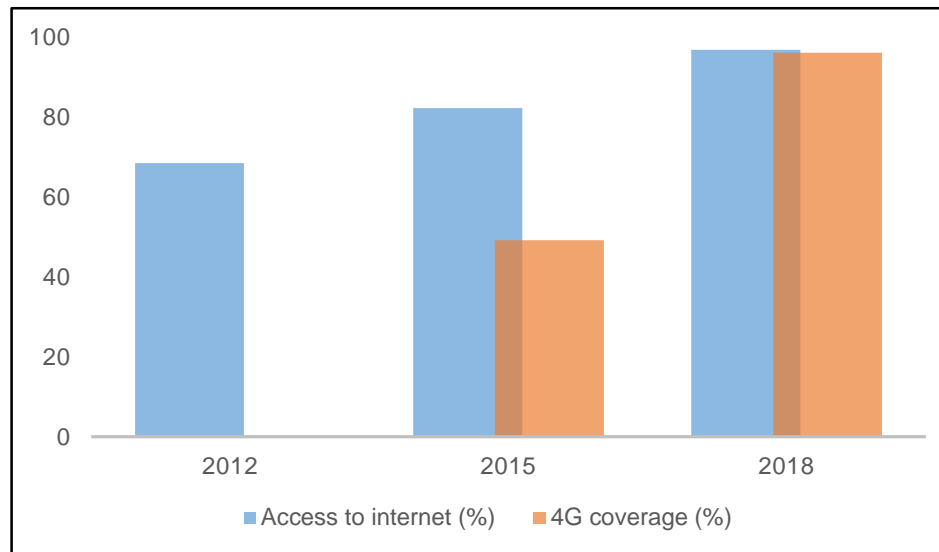


Figure3: Internet access and 4G coverage in 130 sampled villages

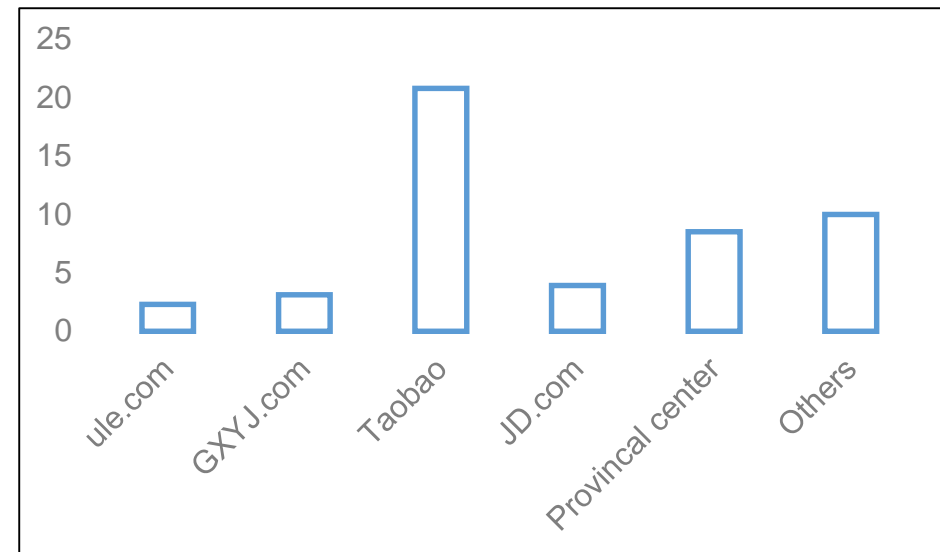


Figure4: Service centers of different e-commerce enterprises in sampled villages (%)

(4) But few households sold products online directly...

- 52.6% of households had access to internet, only 3.4% of them sold products online directly
- No technical skills on online sale (46.7%) was the most main reason

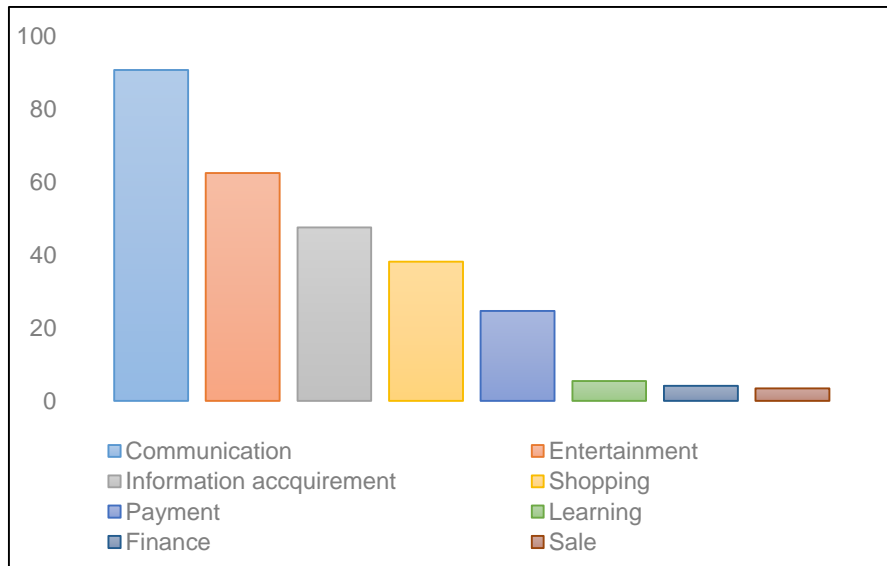


Figure5: The main activities of households when they surf the internet in 2018 (%)

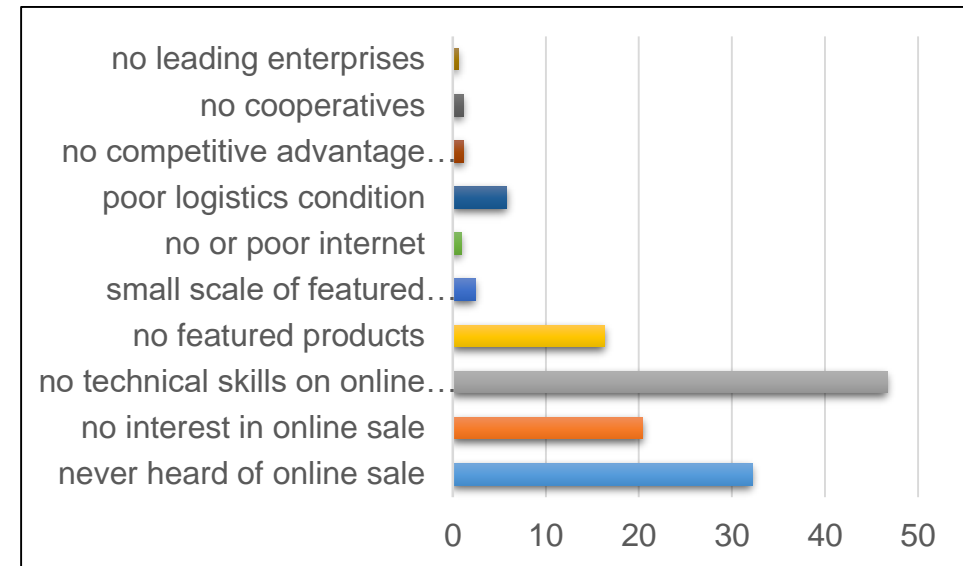


Figure6: The main reasons why farmers didn't sell products online (%)



Discussions

Market is the key point: from firms to smallholders, from rich area to poor villages

- **More shares in the market.** An e-commerce enterprise used e-marketing strategy combined with data analysis, translated consumer preference into product standards, and eventually built long-term collaborative relationship with farmers.
- **Create new markets.** An e-commerce enterprise found new markets, provided input suppliers and start-up funds for farmers, helped them establish farmers' cooperatives. The enterprise also signed agreements with farmers and further advertise their products targeting high-value market.

Challenges and policy implication

- **Human capital**

- people who left in poor villages, old, women and kids, ethnic language VS talent farmers, youth, internet and smart phone

- **Products**

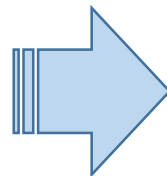
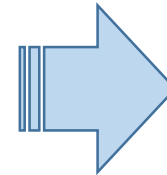
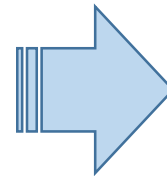
- raw corn, wheat, rice VS processed +package; competitive or unique products

- **Organization**

- scattered smallholders VS farm cooperative, firms, communities

- **Transportation**

- remote area and high cost



- **Training**

- e-commerce training
- smartphone use
- youth back home to run e-commerce shop

- **Processing factory and simple technology**

- **Standards and brands**

- **Being organized**

- **Infrastructure improvement**

- **E-commerce in rural area: there is still a long way to go from buy more to sell more...**
- **Poverty reduction through e-commerce: neither has only one solution, nor the only one solution...**

Thank you!

