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# Differentiation of the Rural Households Based on the Perspective of Agricultural Industrialization Behavior

—A Case Study of 102 Households in Yanling County, Henan Province, China

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**Abstract** Based on the analysis of fieldwork data collected by us from 102 households in the villages of Yaojia, Jizhuang and Wuzi, we analyze the phenomenon of differentiation behaviors of households who own different kinds of resources under the background of agricultural industrialization. The focus of this paper is to probe into characteristics of the physical contact space, information contract space between different rural households such as farmers, brokers and entrepreneurs. Then, we focus on the driving forces behind the household differentiation process. Several conclusions can be drawn from this analysis. Firstly, the geographical domain increases as the households evolves from farmers to entrepreneurs, and the farmers' physical contract space is larger than the information contract space while that of brokers and entrepreneurs equals. Secondly, there is a certain pattern existing in the evolution: based on the self-techniques, farmers evolves to flower workers, and to brokers when the capital, social network and self-ability is sufficient. As a result of appropriate policy, opportunity of building business and the risk appetite characteristics, entrepreneurs may differentiate from the brokers.

**Key words** Differentiation of rural households, Agricultural industrialization, Flower industry, Yanling County, China

Since the 1990s, Shandong Province has put forward and practised the concept of agricultural industrialization operation. The academic world also conducted profound analysis, and the agricultural industrialization operation theory system has taken form. The major theoretical results are as follows: the theory about the background, developing process, connotation and characteristics, constitution components and organizing form<sup>[1–6]</sup>; the discussion about the organizing types of Chinese and foreign agricultural industrialization and the types of cooperative organization<sup>[1,3]</sup>; the discussion about the measuring index of agricultural industrialization degree<sup>[7–11]</sup>; the regional model of agricultural industrialization and agricultural cooperative organizations based on the perspective of geography<sup>[12–17]</sup>. The research on the differentiation of rural households has obtained some achievements, mainly including the research of rural household differentiation based on the nation, province and village scales<sup>[18–19]</sup>, and the research of rural household differentiation based on the perspective of industrialization and urbanization<sup>[20–21]</sup>. However, there is relatively shortage of the research on rural household differentiation under the background of agricultural industrialization<sup>[22]</sup>, and the previous documents are mostly the rural household differentiation research in the eastern coastal regions, neglecting the research in the central and western regions. Taking the village of flower planting in Yanling County with relatively high level of agricultural industrialization as an example, we conducted the preliminary research on the rural household differentiation under the background of agricultural industrialization on the basis of macro-a-

nalysis and survey.

## 1 The overview of the study area and data collection

**1.1 The geographical location of the study area** Yanling County, subordinate to Xuchang City in Henan Province, located in the transition zone between subtropical continental climate and north temperate continental climate, is a gorgeous base for the transfer, introduction, cultivation of flower between the south and the north. Two principles are considered when selecting the surveyed villages. Firstly, we should take the economic and social characteristics of the farming area in the Central China into consideration. Secondly, the development momentum of agricultural industrialization is good. According to these principles, Yaojia Village, Jinzhuang Village, and Wuzi Village were selected as the quintessence of this survey. The surveyed villages are endowed with advantages of resources and talents, good environment and infrastructure, and especially the prominent location advantages. Yaojia Village, only 7.5 km away from the county, borders 311 National Highway, and the landscape avenue runs through the village.

Since the Reform and Opening up, the implementation of the household contract responsibility system has greatly invigorated and motivated multitudinous flower growers. In addition to the leading of government, and the motivation of preferential policy and market economy, the flowers and trees industry in Yanling County has made progress by leaps and bounds, as can be seen in the Table 1. In the light of the growing area of trees and flowers, it increases from 666.67 hm<sup>2</sup> in the year 1990 to 30 080 hm<sup>2</sup> in the year 2006. On one hand, it indicates that driven by the agricultural industrialization, the flowers and

trees industry develops rapidly; on the other hand, the returns and the development of the flowers and trees industry motivated the farmers greatly. According to the proportion of the value of

the flowers and trees industry in the agricultural gross value, the proportion of the value of flowers and trees industry increased by approximately 33 percentage point in 16 years.

**Table 1 Development status of flowers and plants industry in Yanling County**

Year	Output value of flowers and plants // $\times 10^8$ yuan	Total agricultural output value $\times 10^8$ yuan	Proportion %	Increase rate of base period (1990 is the base period) // %	Chain increase rate // %	Area hm <sup>2</sup>
1990	0.2	6.26	3.2			666.67
1991	0.3	6.80	4.4	1.5	50.0	733.33
1992	0.3	6.16	4.8	1.5	0.0	733.33
1993	0.4	8.10	4.9	2	33.3	800.00
1994	0.7	9.98	7.0	3.5	75.0	1 333.33
1995	0.8	13.64	5.9	4	14.3	1 400.00
1996	1.2	17.90	6.7	6	50.0	1 666.67
1997	2.2	20.07	11.0	11	83.3	2 400.00
1998	3.4	22.43	15.2	17	54.6	3 600.00
1999	5.3	23.45	22.6	26.5	55.9	6 533.33
2000	6.8	23.89	28.5	34	28.3	6 733.33
2001	7.7	25.60	30.1	38.5	13.2	11 866.67
2002	9.7	27.44	35.3	48.5	26.0	17 533.33
2003	11.2	30.40	36.8	56	15.5	21 266.67
2004	13.3	41.90	31.7	66.5	18.8	25 466.67
2005	15.7	47.44	33.1	78.5	18.1	26 686.67
2006	18.1	49.33	36.7	90.5	15.1	30 080.00

Note: Data is collected from the investigation by Flowers Office in Yanling County.

**1.2 The method of survey and data collection** In May, 2008, according to the questionnaire that has been designed well, we conducted four-day survey on Yaojia Village, Jinzhuang Village and Wuzi Village. According to the amount of households in three villages, the survey adopted the method of interview, and selected randomly 30 to 40 households in Yaojia Village, Jinzhuang Village, 20 households in Wuzi Village, as the objective of survey. 120 households were surveyed in the aggregate, and there were 102 available questionnaires with 85 percent availability rate. In the meantime, we collected the relevant data and figure from the statistical bureau and flower office in county, so as to establish the analytical data basis.

## 2 The households differentiation analysis of the flowers and trees villages in Yanling County

**2.1 The connotation of household differentiation** After the implementation of households contract responsibility system, the households, as an independent unit of production and operation, can discretionarily use the factors of production and make decision. The differentiation of households means that the existence of farmers' moonlighting operation behavior, makes the households break down into multifarious and different characteristic groups, including traditional households, the first-moonlighting farmers, the second-moonlighting farmers and pure non-farmers<sup>[18,20]</sup>. The essence of the household differentiation is the result of farmers' differentiated allocation of the resources they can dispose of, such as labor forces, land, capital, technology and social network. The household differentiation is objective and inevitable. Firstly, the development of labor forces is the impetus of household differentiation. The development of labor forces and the improvement of labor produc-

tivity make myriad labor forces directly break away from the shackle of land so as to engage in non-agricultural production operation. Secondly, influenced by the market mechanism, we should play the role of market in selecting and allocating resources to lead farmers to engage in the production and operation in non-agricultural field.

Based on the status quo of the flowers and trees industry in Yanling County, the household differentiation means that the rural households transform from traditional farmers to flower grower, flower workers, flower-brokers or flowers and trees enterprise operator. The connotation is as follows: the flower-growers are the farmers engaging in producing flowers and trees, ornamental nursery stocks, potted plant, turfgrass; the flower workers are those who master professional skills, engaging in the graft, packaging, transportation, fertilizing and pest control of flowers, ornamental nursery stocks, potted plant, and turfgrass; the trees and flowers brokers are the personnel who engage in brokerage concerning trees and flowers, ornamental nursery stocks, potted plant, and turfgrass, flowerpot, garden tools, flower fertilizer and so on; the enterprise operators are those flowers and trees enterprises or big growers whose planting area are more than 0.2 hm<sup>2</sup>.

In the light of the theoretical analysis of the rural household behavior response, the rural household differentiation responds to the development of flowers and trees industry in Yanling County. Although the operation of flowers and trees industry leads to the increasing profit universally among the participants, the participants' profits are distinctly differentiated. As a matter of fact, the differentiated profit is the prerequisite of farmers' response to agricultural industrialization. Different family background, realistic level of productive forces and external economic opportunities engender the rural household differentiation. According to the practical situation of the three villages in

Yanling County, we classified the status quo of the rural household differentiation in the surveyed region into three layers: flower growers and flower workers, flower growers and flower brokers, and enterprise operators.

## 2.2 Items analysis of the rural households differentiation

**2.2.1** The differentiation of farmers' occupation. In the retrieved 102 effective questionnaires, due to the broad concept

of flower workers, the pure flower growers are none; 63 flower growers and flower workers moonlighting households, accounting for 62 percentage; 36 flower growers and flower brokers moonlighting households, accounting for 35 percent; 3 enterprise operators, accounting for 3 percentage. The basic information about the 102 households reflects the condition of differentiation, as can be seen in Table 2.

**Table 2 Basic information of the investigated farmers in Yanling County**

Item	Sample size	Proportion of farmers with different educational degrees//%					Per household cultivated area//hm <sup>2</sup>	Average number of family members People	Proportion of each housing type//%	
		Illiteracy	Primary school education	Junior middle school education	Senior high school education	Technical secondary school			Storied houses	Brick houses
Flora peasants and flora workers	63	10	37.5	37.5	15	0	0.469	4.8	48	52
Flora peasants and flora broker	36	0	11	65	22	2	0.497	5.3	87	13
Business operators	3	0	33	67	0	0	3.55	5	100	0

  

Item	Number of tractors per household	Number of motorcycles per household	Number of TV per household	Number of refrigerators per household	Number of air conditioner per household	Number of washing machines per household	Number of cars per household	Electricity consumption per household //Yuan	Average number of family numbers
Flora peasants and flora workers	0.62	0.65	0.99	0.6	0.08	0.15	0	44	4.8
Flora peasants and flora broker	0.87	0.87	1	0.87	0.29	0.71	0.29	100	5.3
Business operators	1	1	1	1	1	1	1	200	5

**2.2.2** The differentiation of family life level. There is a slight difference of the ownership of motorcycle and television which symbolize the life level of common family among the three rural households, indicating the improved economic and cultural life level holistically in the surveyed region. There is a prodigious difference of the ownership of automobile, refrigerator, washing machine and air conditioner which symbolize affluent life. The ownership amount of air conditioner of the enterprise operators are 13 times as that of the flower growers and flower workers. In addition, the ownership degree of automobile among the surveyed flower growers and flower workers is 0, while the ownership degree of automobile among the enterprise operators is 100 percentage, 3.45 times that of flower growers and flower brokers. The ratio of net income per household among flower growers and flower workers moonlighting households, flower growers and flower brokers moonlighting households, and enterprise operators is 1:3:16. The housing condition per household, the flower planting area per household and net income per household all indicate the great difference among the three kinds of rural households differentiated from flower growers.

## 2.3 The characteristics analysis of different kinds of rural households after rural households differentiation

**2.3.1** The spatial analysis of material association space among different kinds of rural households. The farmers' material association space is farmers' activity space and the regional scale measure of farmers' productive activity. The material association space among flower growers, flower brokers and the enterprise operators increase progressively. Amid 63 flower

growers, flower workers moonlighting households, there are respectively 47, 63, 63, 63 households obtaining the provision of seedling, fertilizer, pesticide, and machine in the county, whereas there are only 16 rural households obtaining the provision of seedling within and without province, accounting for 25 percent; amid 36 flower growers, flower brokers moonlighting households, there are respectively 23, 36, 36, 34 households obtaining the provision of seedling, fertilizer, pesticide, and machine in the county, whereas there are 6 households purchase it within province, 7 households within the nation; amid 3 enterprise operators, there are respectively 3, 3 households obtaining the provision of fertilizer, pesticide in the county, and obtaining the provision of seedling and machine within the nation and province. So, in terms of the provision of means of production, the material association space of flower growers and flower workers moonlighting households is confined to the county region; the material association space of flower growers and flower brokers moonlighting households is between county and province; the material association space of enterprise operators is between province and nation. In terms of finance, law, technology and transportation service, there is only 4 percent flower growers and flower workers moonlighting households can get the service from the department of county; 60 percent flower growers and flower brokers moonlighting households can get the service from the department of county; 67 percent enterprise operators can get the service from the department of county, while the rest can get province level service. Consequently, in terms of the productive service, the ac-

tivity space of flower growers, flower workers moonlighting households, flower growers, flower brokers moonlighting households, and enterprise operators is stratified. In general, along with the deepening differentiation of agricultural households, the material association space becomes much bigger.

**2.3.2** The information space analysis of different kinds of rural households. The information space of rural households, namely the information association space, is the regional range where the rural households obtain various kinds of information. According to the survey statistics, the information space of rural households is analyzed from the aspects of rural household technology information channel, market information channel and sales channel. In different kinds of technology information channels, 95 percent flower growers, flower workers moonlighting households choose "imitation and mutual communication", indicating their technology information space confined to the village level; 90 percent flower growers, flower brokers moonlighting households choose "television, broadcast, and mutual communication", indicating that their information technology space are mainly village and county; 100 percent enterprise operators choose "network, information center, and mutual communication", indicating that their technology information space has expanded to province level and country level. In different kinds of market information channels, 98 percent flower growers, flower workers moonlighting households choose "determine the varieties of trees and flowers by judgement and imitation of oneself", indicating that their market information space is confined to village; 96 percent flower growers, flower brokers moonlighting households choose "determine the varieties of trees and flowers by information and imitation of customers", indicating that their market information space has broken through the region of village; 100 percent enterprise operators determine the varieties of flowers and trees by surveying the national trees and flowers market. In terms of sales channel, 97 percent sales channel of flower growers, flower workers moonlighting households is the wholesaler in county while 3 percent sales channel is retailers and customers in county; 31 percent sales channel of flower growers, flower brokers moonlighting households is the wholesaler, retailer, and customer in county while 53 percent sales channel is the domestic wholesaler, retailer, customer, and 16 percent sales channel is wholesaler, retailer, customer in province. The sales channel of enterprise operators is wholesaler, retailer, customer in province and state. As can be seen from the above analysis, along with the differentiation of rural households, the respective information space has conspicuous regional level.

### 3 The influence factors analysis of rural household differentiation process

**3.1 The influence factors analysis of evolution of traditional rural households into flower growers** According to survey, we can generalize the factors regarding the evolution of traditional rural households into flower growers as the following aspects: firstly, institution factors. The implementation of family contract responsibilities system makes the rural households

make decision of operation, being the indispensable prerequisites of transformation of traditional rural households into professional households; secondly, traditional factors. As Yaojia Village, Jinzhuang Village, Wuzi Village, blessed with a long history of planting trees and flowers, have traditional technology and market advantage, which can guarantee the small cost, great profit of trees and flowers planting in these three villages; thirdly, imitation factors. It means that after the previous rural households with wait-and-see attitude see the high economic returns of planting trees and flowers, then they begin to engage in trees and flowers planting industry. 98 percent rural households mention that other people make great profit from planting when they are asked the reason of becoming professional households; fourthly, pressure factors. They have no choice but to plant trees and flowers due to the impending pressure. Because of the natural attribute of flowers planting, once the flowers and trees are planted in the adjacent field, other grains cannot survive, which becomes the reason of planting trees and flowers of three villages. More than 98 percent rural households mention that they have no choice but to plant flowers when others plant flowers and trees.

**3.2 The influence factors analysis of evolution of flower growers into flower brokers** The material association space and information space of flower growers is different from that of flower brokers, so the flower growers must transcend their poky material association space and information space in order to become flower brokers, and make decision based on this. By survey and analysis, we can generalize the factors regarding the transformation of flower growers into professional rural households as the following aspects: firstly, capital, network factors. 90 percent rural households mention the shortage of initial capital and social relation network when they are asked why they do not engage in the occupation of flower brokers. The investment per household the flower growers, flower brokers moonlighting households spend on communication, errand, social engagement in 2007 is approximately 16 250 yuan, accounting for 58 percent of overall investment. However, the income per household of flower growers, flower brokers moonlighting households is only 12 212.5 yuan, which explains the restricted role of capital on the transformation of flower grower into flower brokers. In fact, social relation network relates with receiving orders. By survey, the flower brokers undertake nearly all the afforestation project program from relatives and friends. Secondly, individual ability factors. Even if there are initial capital and good social relation network, the flower growers cannot transform into flower brokers if they have not the ability of communication and market pioneering.

From the practice of survey, we can perspicuously sense the enormous difference between flower growers and flower brokers when communicating with others.

**3.3 The influence factors analysis of evolution of flower brokers into enterprise operators** The enterprise operators, as the core of agricultural industrialization and the highest type of rural households differentiation, play the great role in developing agricultural industrialization. According to survey, general-

ly enterprise operators evolve from flower brokers who do business outside to accumulate experience, broaden horizon, build broader social network, and collect, analyze flowers market. The flower brokers are transformed into enterprise operators under preferential policies of land, capital and revenue. There are two factors restricting the transformation. Firstly, policy factors. In order to encourage the development of trees and flowers industry, government of Yanling County offers preferential policies regarding land use, revenue, financial subsidy for flowers planting enterprises, and provides the equipments of irrigation and electricity preferentially. A series of policies, to great extent, precipitate the transformation of flower brokers into enterprise operators. The existence of three characteristic villages, in a large measure, comes from push of enterprise operators. 57 percent village leaders think that policy factors are most important while 43 percent think that policy factors are very important when they are asked the factors of characteristic economy. Secondly, individual risk penchant idiosyncrasy. Influenced by asymmetry of flower market information and unforeseeable natural calamity, the enterprise operators are bound to bear great risk when conducting risk and uncertainty decision-making. So the general flower brokers cannot become enterprise operators if they have not risk penchant idiosyncrasy. We can know the following facts from flower brokers and enterprise operators' financing channel of capital when they organize production: 98 percent flower brokers conduct production by their accumulation, and only 2 percent loan from bank with the sum below 5 000 yuan; the capital of organizing production of enterprise operators mostly comes from loaning. Hence, individual risk penchant idiosyncrasy is also the prerequisites of the transformation of flower brokers into enterprise operators.

## 4 Conclusion

Firstly, the rural households differentiation under background of agricultural industrialization, responds to the agricultural industrialization benefit distribution on the basis of farmers' discretionary resources, and are the response of farmers to accustoming themselves to the practical resources environment and socio-economic structure. The direct factor of farmers' great income gap is different division of labor when farmers participate in industrialized system.

Secondly, the regional scale of material association space, information space of flower growers, flower brokers, and enterprise operators steadily increase. The information space of flower growers is smaller than their material association space; the material association space, information space of flower brokers are on the whole the same as that of enterprise operators.

Thirdly, the rural household differentiation has a model: drawing by the traditional accumulated technology, the flower growers become flower workers when working outside. The flower workers accumulate technology outside, develop network relations, and begin to plant trees and flowers when there is opportunity. When the capital, network relations and individual ability are accumulated to certain degree, the flower growers

transform into flower brokers. Due to the appropriate policy, entrepreneurship opportunities created by the local government, individual risk penchant idiosyncrasy of flower brokers, and institutional cultural tradition beneficial to nurturing entrepreneurs, the flower brokers begin to plant on a large scale, break through material association space, information association space, and become enterprise operators.

Fourthly, the inconspicuous leading role of enterprise operators and lax association between enterprise operators and farmers, make farmers gain little from industrialization. The government enlarges the investment of trees and flowers market information, actively lead flower growers to break through poky activity space and information space; it should provide capital support for flower growers; it should promote farmers' quality, and make flower growers become flower brokers successfully in order to promote the regional agricultural industrialization level, and propel the balanced development of society, economy and environment.

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poverty; narrow the gap between rural and urban areas, and then promote the construction of rural well-off society in an all around way.

### 3.5 The Agricultural Development Bank should strengthen the credit aid to agriculture and rural emergency system and insurance system

Agricultural emergency and insurance is one of the "green box" policies in WTO rules and it has become one of the basic approaches for the WTO members to support their agriculture. China locates in the intersection of the world two disaster zones and it is frequently hit by natural disasters. The problems of "One big disaster, poor farmer shortly after that" and "one year's disaster, more than three years are needed to recover" still restrain the agriculture and rural economy development. Agricultural policy-based banks are the important carriers for the support and protection system of national agriculture. Firstly, the bank can work as the financial support for agricultural emergency response system to provide agricultural emergency loan; form the powerful supplement of the emergency response system of the government and fiscal construction and form the united mechanism with the emergency response system of the government, and then fully display its function of "improving people' livelihood". Secondly, the policy nature of agricultural insurance should be given prominence to. The agricultural insurance should be taken as an agricultural protection measures and policy-based businesses. The government can start from the agricultural insurance business acted by the Agricultural Development Bank and then transit to handle the agricultural insurance independently. The approach is an idea choice for saving the exchange costs of establishing institute and making up for the deficiency of agricultural policy-based insurance of commercial finance. The government should gradually expand and enrich the scope of agricultural policy-based insurance business of the Agricultural Development Bank and normalize its operation procedure, and then the agricultural policy-based insurance to be the genuine protective umbrella and stabilizer for developing "three agricultural problems" concerning agriculture, countryside and farmers.

### 3.6 The Agricultural Development Bank should strengthen the credit aid to agriculture and the intermediate service system of rural financial service

Rural policy-based finance

takes a leading role in rural finance and it has functional advantage in leading the agricultural support policy, creating favorable situation and leading the commercial capital and social capital to flow to agriculture and countryside. The Agricultural Development Bank should actively develop intermediary service; act the payment and settlement of fiscal agricultural support capital; act businesses of the State Development Bank and agricultural insurance; open businesses of collections and payment transfer and the state account settlement business and handle businesses of foreign government and international organization concerning Chinese agriculture; strengthen its functions on financial services. At the same time, the bank should support the third-party guarantee organization developed and normalized by Chinese government or provide guarantee or discount to scale operation rural households and rural middle-and small-enterprises based on the credit of the country; help the service objects to get loan from commercial banks; create situation for the commercial capital and social capital to flow to agriculture and rural areas. Through the efforts above, the rural credit guarantee system can be established and more capital will be input to new village construction.

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