

Box 3: People's Republic of China Case Study

Under different organizational models small producers have demonstrated a notable ability to meet very high quality standards and even achieve international certification. In the towns of the Feicheng area of the PRC's Shandong Province, local government committees have provided the institutional framework to organize large-scale value chains that feed processing companies in the region. Several companies are involved, and one of these, the Tai'an Asia Food Co., is a Sino-Japanese joint venture that receives the production of approximately 10,600 farmers. Farmers typically earn several hundred

US dollars annually, a remarkable sum considering that their average farm size is less than 0.1 ha.

Feicheng specializes in high-value organic produce for overseas markets and is somewhat unique in that much of it is reclaimed land that was rendered toxic from excessive chemical use. The area produces 20 kinds of internationally certified horticulture crops with annual production volume of approximately 130,000 tons.

With government acting as a catalyst, the processors, local input, transport, training enterprises, and farm communities have developed relations reminiscent of Porter's cluster model.¹⁶ The interface between farmers and the large enterprises is often mediated by local government, which provides a tailored framework to support the farmers' participation. It involves training, certification, extension services, and the facilitating of input distribution where necessary.

The critical lessons derived here revolved around having access to sufficient and consistent training, especially during the conversion phase when many producers were unfamiliar with the new requirements. A steadfast, reliable institutional structure, e.g., local government, facilitated the producers' willingness to adopt new methods and substantially reduced their risk. Equally important was the presence of a dependable value chain that ensured access to lucrative markets.

Source: Original case study conducted for Giovannucci (2005).