

**Reduce the Circulation Links and Speed up  
the Production and Marketing Docking of  
Agricultural Products**

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In agricultural sector, the information lag reaction always exists between agricultural production and demand of consumers market. Hunan Provincial Department of Agriculture, as a functional department of Hunan Provincial People's Government, has made 2 beneficial attempts to promote the circulation of agricultural products. The first attempt is the production and marketing docking of agricultural products between Hunan Province and Guangzhou City. The second attempt is the pilot work of direct supply and selling of agricultural products in Changsha City. Now we would like to share our experience in these 2 attempts with all of you.

## **1. Hunan Province and Guangzhou City (Xiangsui) production and marketing docking of agricultural products**

According to the consensus reached by provinces of Hunan, Guangdong and leaders of Guangzhou, in 2010, Hunan Provincial Department of Agricultural and Guangzhou Agricultural Bureau signed a cooperation agreement of production and marketing docking of agricultural products. Afterwards, with live hogs, rice, vegetables, fruits as main

products and taking Hunan (Changsha) Agricultural Fair, Guangzhou Trade fair and etc as main platforms, agricultural supply contracts were encouraged to sign between Hunan agricultural production bases, processors and business households, agricultural production distributors, groups of consumers and etc in Guangzhou Jiangnan Market. The producers in Hunan conducted crops farming and livestock breeding according to the contracts of sales. In Guangzhou, large slaughter houses and agricultural products distributors were encouraged to sign long term purchase agreements with agricultural productions bases in Hunan, through products identification procedures and based on the amount of qualified agricultural products, agricultural production bases in Hunan received some fiscal subsidies from Guangzhou, and agricultural enterprises in Guangzhou also were encouraged to invest in Hunan to establish high quality agricultural production bases specially for Guangzhou market.

## **2. The pilot work of direct supply and selling of agricultural products in Changsha City**

According to certain conditions, for example, in a community

with the resident population of over 10 thousand, a direct supply and selling store with business area no less than 50 m<sup>2</sup> was established, until now about 50 such stores were primarily selected. At the production of the supply side, in Hunan, some high degree of standardization production bases with rich products varieties formed the fresh agricultural products producers. Afterwards, a products distribution center was established in Changsha, the center connected the production of the supply side and the sales ends, according to the certain demand amount and the varieties structure, the center re-located the products and dispatched them to the stores, the center was also responsible for prices and financial settlement.

It is a challenging task, first, it is difficult to meet the diversity of needs of consumers in urban areas, second, the management of the production of the supply sides, stores and products distribution center requires high standards, third, it is the formidable challenge for stores to obtain sufficient profits and maintain continuous operation.

### **3. Enlightenments of the production and marketing docking of agricultural products**

Through several years operation, valuable experience were obtained in the production and marketing docking of agricultural products between Hunan Province and Guangzhou City, and the direct supply and selling of agricultural products in Changsha City. The experience has the important enlightenments' significance to make good tasks in agricultural products circulation.

**3.1.** Xiangsui production and marketing docking of agricultural products was based on the original channels, more opportunities were created for production sides and intermediate merchants to reach purchase intentions or agreements of different durations, foresight and production planning improved, intermediate merchants changed from passive to active and grasped more business opportunities. Meanwhile, through the establishment of the information sharing platform, quality mutual trust mechanism and other auxiliary measures, dynamic balance is maintained in Xiangsui production and marketing docking of agricultural products. Now some enterprises of Guangzhou City already established a batch of high quality agricultural production bases in Hunan province, there is an increase of 5% of market share for Hunan' agricultural products in Guangzhou

City, the agricultural business relations between Hunan and Guangzhou becomes closer.

**3.2.** The pilot work of direct supply and selling of agricultural products in Changsha City has abandoned the original main channel of agricultural products circulation and re-opened the new channel. At present, under the model of direct supply and selling, it is difficult to coordinate the interests between the production bases and the products distribution center, the price difference between purchase and sales of agricultural products can't cover the staff' salary, rent cost sharing, water, electricity and transportation cost, the enterprises are in deficit conditions.

Therefore, under the existing conditions, the pure commercial operation model of direct supply and selling of agricultural products is immature, considering factors of food safety and stabilization of the market price and from the point of social public welfare, the provision of public funds by the local government is a feasible way.

**3.3.** Uzbekistan is an important agricultural country in middle Asia, and agriculture accounts for about 1/4 of the proportion in the national economy; agricultural products circulation receives

high attention from all circles. Hunan Province is willing to work with experts and scholars in Uzbekistan to explore and exchange regular patterns of agricultural products logistics, supply, demand, and technical information, and to promote the establishment of the mutual modern circulation system for agricultural products.

Thank you.