



Agricultural Development and Policy in China

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Outline

1. Situation of Chinese Agriculture
2. Major challenges
3. Agricultural policy
4. Outlook

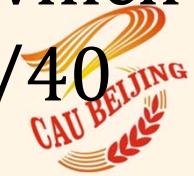


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1. Chinese Agriculture

1. 1 Resources and production scale

- Agricultural population: 637 million; about 250 million migrants
- Land area: 121.8 million arable land
- Agricultural households: 223 million
- Average farm size: 0.546 ha per farm, which accounts for 1/3 of Japan and Korea, 1/40 of EU, and 1/400 of the U.S.



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1.2 Sector Structure in China (Gross Output Value, billion, 2011)

Farming: USD 6.77, 53%

Animal husbandry: USD 4.16, 33%

Fishery: USD 7.57, 10%

Total: 96%

1.3 Agriculture in national economy

Table 1: Agriculture in national economy

		1980	2011
GDP	%	30	10
Population	%	81	49
Employment	%	69	34.8
Export	%	20	3.09
Import	%	15	4.42

2. Major challenges of Chinese agri.

2.1 Food (grain) security

- **Stagnated production**

- ***Reduction of arable land***

[Per capita: 0.092 ha; 40% of world average]

- ***Degradation of land quality***

- ***Shortage of irrigation water***

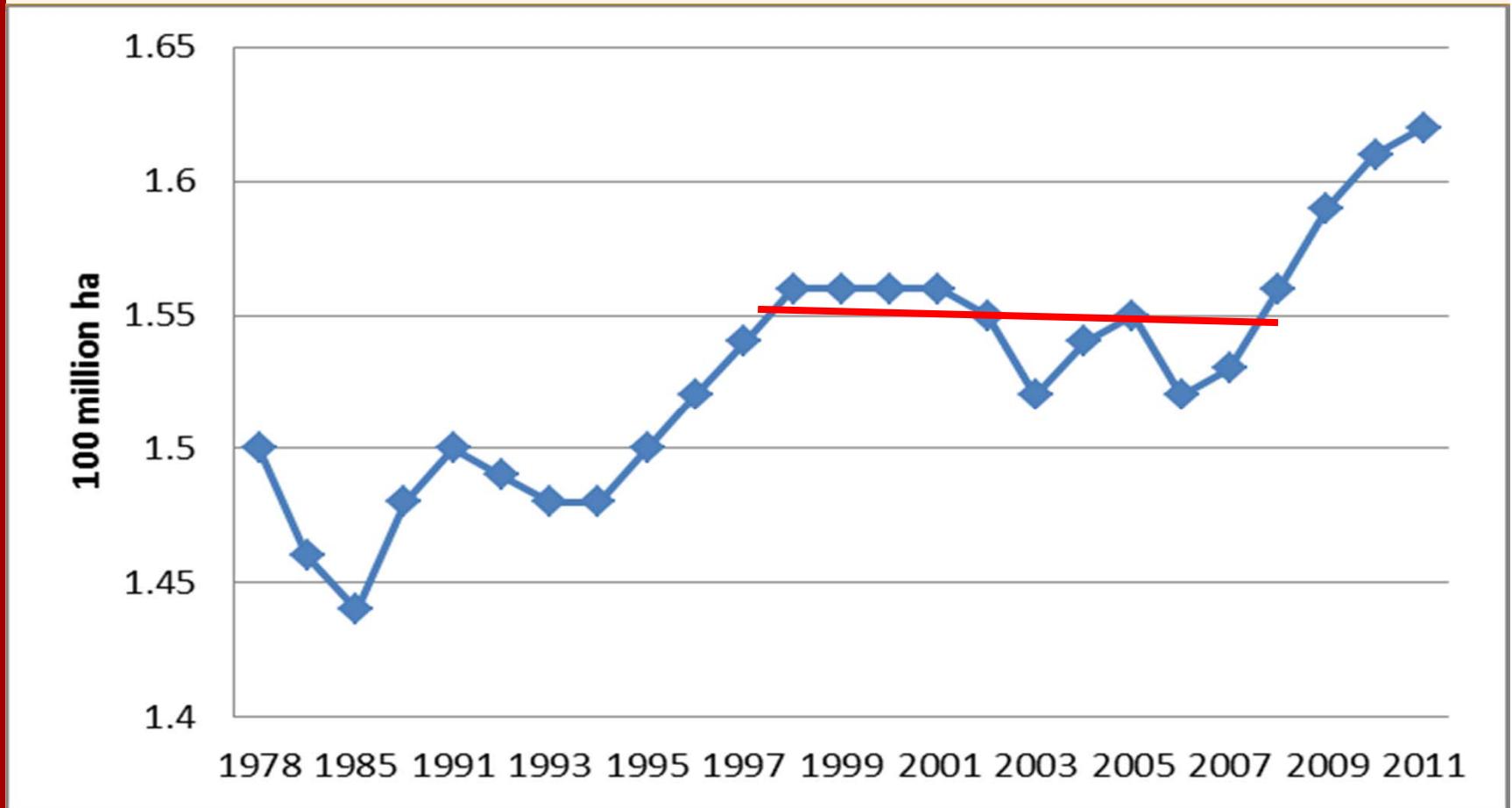
[Per capita: about 25% of world average]

- ***Increase in labor cost***

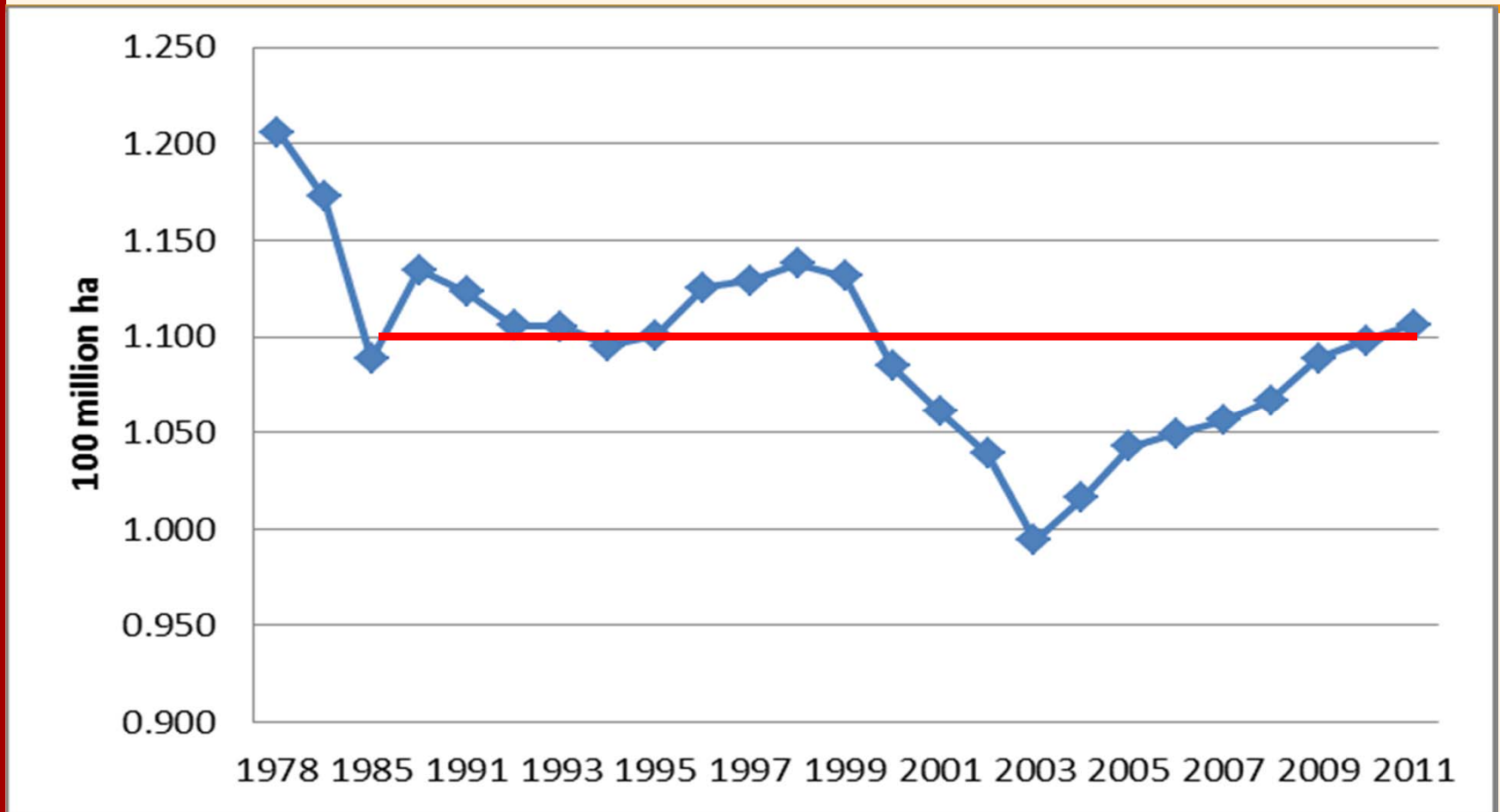


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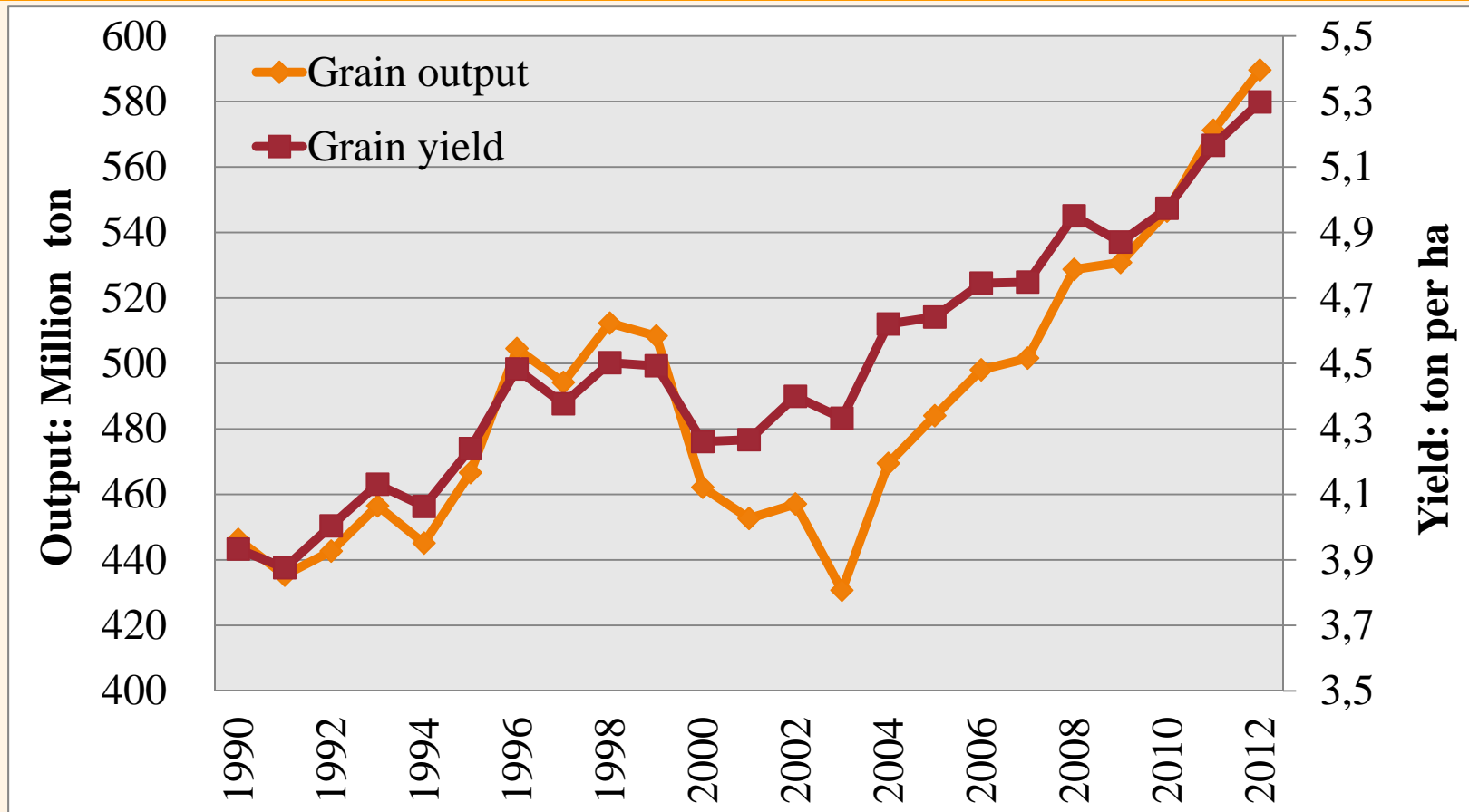
China's Cultivated Land



Declining grain area



Grain output and yield



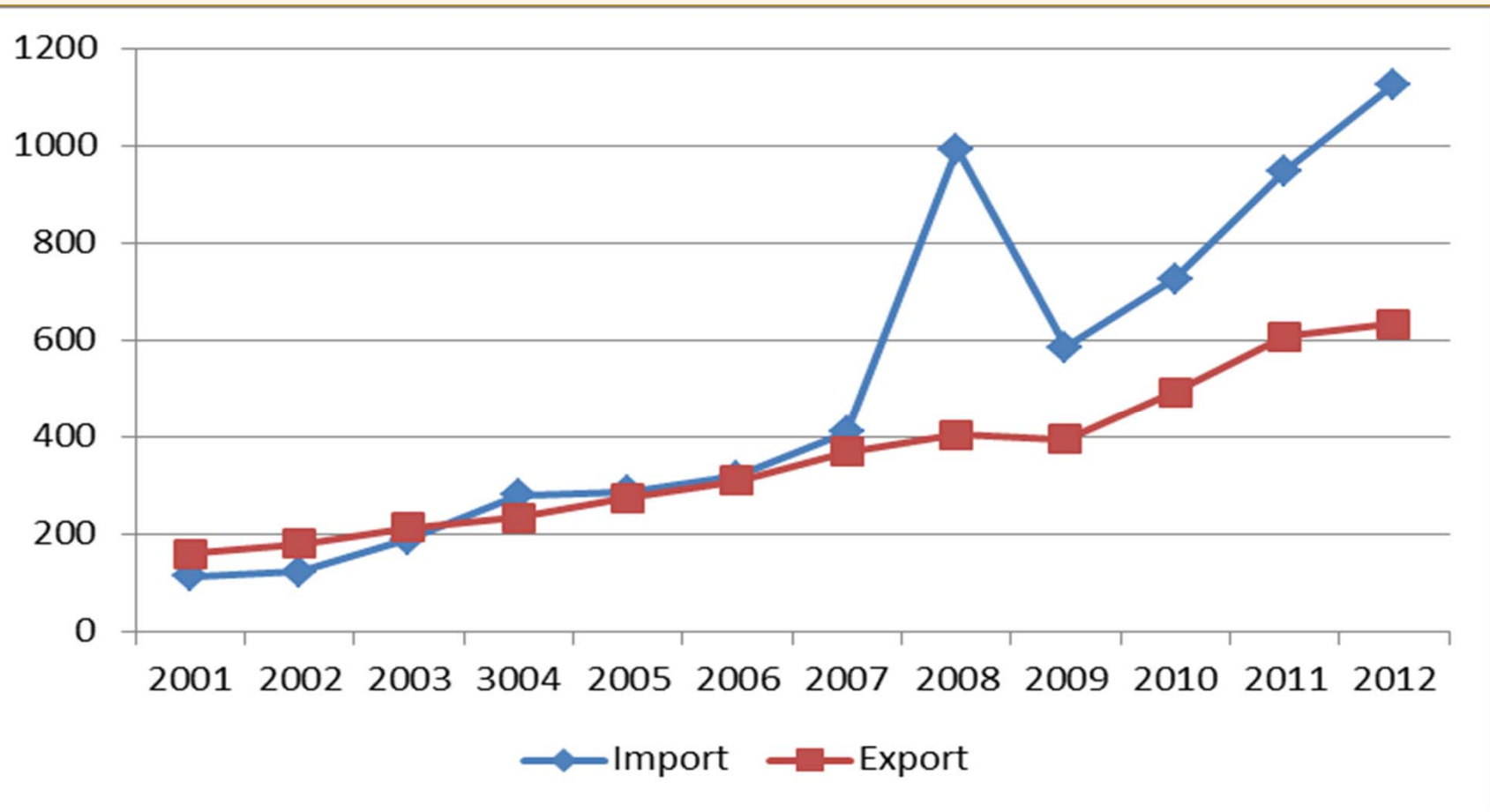
Grain balance

- Total demand: about 580 million tons per year
- Yearly demand for grain increases by about 1% (Chaoan Wei, 2008). Recent researches show 2-2.5 %.
- Net importer of food and agricultural products since 2004. In 2012 imported crops is equivalent to 26% of arable land (Xiwen Chen, 2012).

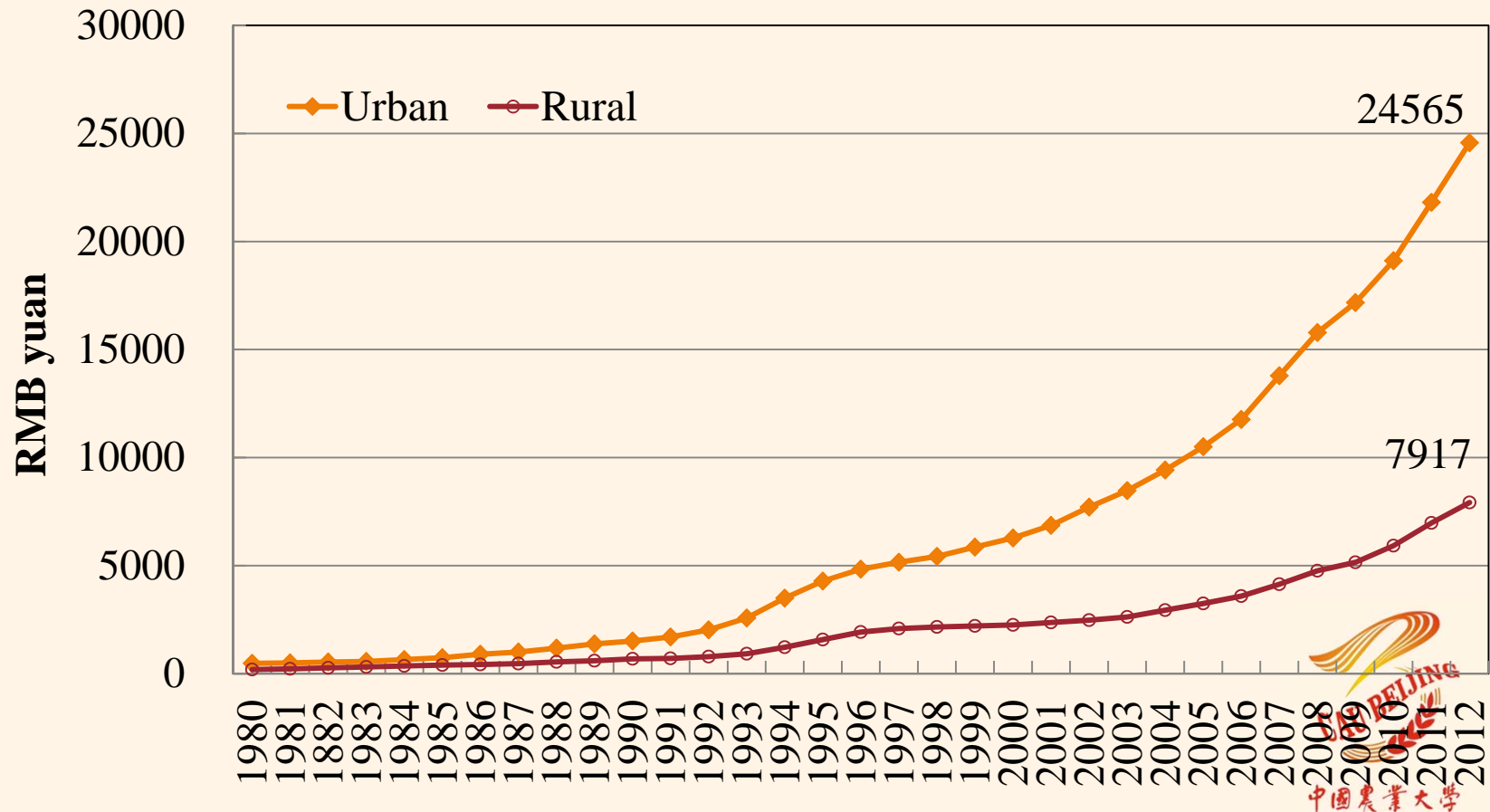


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Agricultural and food trade in China, 100 million US\$



2.2 Farmers' income Urban and rural gap: 3.44 times



Regional disparity

9.27 times between richest and poorest regions
(Shanghai urban HH and Gansu rural HH)

Low income population

- Poverty population:
 - per capita income below 2300 RMB(2011 New poverty line): 128 million
 - About 1USD per day [UN poverty standard]
- Poor area: western mountainous regions



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3. Agricultural policies

3.1 Domestic support

- 2001: started to liberalize grain market
- 2004: Fully liberalized grain market + grain direct subsidy program
- 2006: abolished agri-taxation system
- 2004-2013: 10 *No.1 Documents* to improve agricultural and rural development



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Four subsidies + Minimum price

- Grain Direct Subsidy
- Seed Subsidy
- Machinery Subsidy
- Agri-input Subsidy

- Support/Minimum price
- Temporary purchasing and reserve



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Table 3: 4 major subsidies, RMB billion Yuan

	Grain Direct Subsidy	Seed subsidy	Machinery subsidy	Input Subsidy	Total
2004	11.6	2.9	0.1	0.0	14.5
2005	13.2	3.8	0.3	0.0	17.3
2006	14.2	4.2	0.6	12.0	31.0
2007	15.1	6.7	2.0	27.6	51.4
2008	15.1	12.3	4.0	71.6	103.0
2009	15.1	19.9	13.0	79.5	127.5
2010	15.1	28.8	15.5	75.1	134.5
2011	32.0	28.0*	15.0*	75.0*	143.9

Data Source: *Chinese Agricultural Yearbook* and *Chinese Agricultural Development Report*.

* Estimated numbers



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3.2 Export Subsidy

- No Direct Export Subsidy
- Some related policies
 - Railway Construction Fee
 - Export Drawback

3.3 Market Access

- Tariff: tariff is only 1/4 of the world average
- Tariff Rate Quota
 - wheat, rice, corn, cotton, sugar, wool, soybean oil, rapeseed oil and palm oil



4. Future of Chinese Agriculture

- High priority to agri. (10 No. 1 documents)

2004: Boost growth in farmers' incomes

2005: Improve overall production capacity

2006: Building a new socialist countryside

2007: Developing modern agriculture

2008: Strengthening foundation of ag. infrastructure

2009: Improve ag-development & farmer's income

2010: Integrated developm't of rural & urban

2011: Reform & developm't of Water conservancy

2012: Ag. Technology and extension

2013: Ag. institutional reform



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■ Goals

- Increase production capacity (food security)
- Improve farmers living standards
- Strengthen rural infrastructure
- Enhance rural education, healthcare and cultural life
- Advance democratic governance



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The major measures

- I. Support policy system, encouraging the factors move to rural area
- II. Machinery developm't & modern ag.
- III. Rural livelihood, Narrowing the gap between urban & rural public welfare
- IV. Integrated rural & urban reform



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Blueprint of Chinese agriculture

- Chinese economy will be driven by urbanization in town or county levels.
- Chinese agriculture will be driven by tech and modern inputs.
- Farmers' income will be generated by urbanization and industrialization.
- Chinese food security must rely mainly on domestic markets.



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Thank You



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