Development of China’s Agriculture and Outlook

Min Yaoliang, Zhang Yuxiang, Chen Zhixin
Ministry of Agriculture

Dear Mr. Chairman,
Ladies and Gentlemen,

It is an honor for my two colleagues and for me from the Ministry of Agriculture, and for Mr. Zhu Xiangdong and his two colleagues from the State Statistics Bureau to attend the 1999 Agricultural Outlook Forum at the invitation of the Department and give an introduction of China’s agriculture.

China has a population of 1.2 billion and is a large producing and consuming country of agricultural products. What is the agricultural situation in China? How are the farmers’ income and living? All these have direct bearing on the overall situation of China’s economic reform, development and social stability. This is also an issue of common concern.

The reform on agricultural marketing started in 1978 and has achieved great progress. The efficiency of system and the years’ accumulation in construction resulted in the obvious increase of agricultural comprehensive production capacity and brought the development of agriculture and rural economic development into a new stage. The supply of and demand for major agricultural products become generally balanced. In the years of good harvest, there is even a surplus of supply. For the 20 years between 1978 and 1997, the average annual development speed China’s agriculture was 6.7%. In 1997, the total production of grain, cotton, oil and sugar increased respectively by 62%, 110%, 310% and 290% if compared with 1978. These not only ensured the market supply, enriched the “Vegetable Basket” and table dishes, but also made important contribution to the continuous speedy development of national economy and control of inflation.

Among these, the annual growth rate of grain production was 2.7%, which is much more than that of population. The per capita farmer’s net income increased from 134 yuan RMB to 2090 yuan RMB in 1997, with a growth rate of 8.1%. Farmers’ life has been improved obviously.

In 1998, though seriously influenced by the huge flood disasters and the financial crisis in Asia, China’s agriculture and rural economy maintain a momentum of stable development. Total grain production is estimated to be over 490 million tons, equaling to the same amount of 1997. The production of cotton amounted to 4.33 million tons, decreased by 5.9%; oil crops amounted to 22.65 million tons, increased by 5%; the production of sugar, aquatic products, vegetable and other economic crops also increased and structure was slightly optimized. The production of meat and
Aquatic products grew steadily. The added value of township enterprises increased by 17.5% than last year, absorbing addition 3 million agricultural labor forces. It is estimated that farmers’ net income grew by 4%.

At present, the development of agriculture in China is also facing some serious constraints. Firstly, the previous constraint for agricultural development is only resource. Now agricultural development faces two limits: resources and market. In recent years, the marketing channels for some agricultural products were blocked and the prices fell down. On one hand, this is because of the unreasonable structure of agricultural production, some varieties and quality of agricultural products can not meet the market demand; on the other hand, this is because of the imperfect marketing system and blocked circulation of agricultural products. There are still many works to do in the setting up of nation-wide, open, competitive and perfect order market of agricultural products. Secondly, the growth of farmers’ income was slow. In 1997, the per capita farmer’s net income grew by 4.6%, 4.4% less than in 1996. In 1998, the growth of farmers’ income continued to be less. Thirdly, the agricultural basic infrastructure is weak, without strong capacity to resist natural disasters. It is a heavy task to repair and rebuild the basic infrastructures damaged in 1998 serious floods. Fourthly, the rural policies have not been implemented well in some places.

The 3rd Plenary Session of the 15th Central Party Committee of the Communist Party of China was held in Oct. 1998. This Session specially studied the issues of agriculture and rural economy, adopted important decisions and formulated the inter-century development objectives and principles. At present, the Chinese Central Government and the local governments at various levels are implementing these important decisions conscientiously.

In 1999, China’s agriculture and rural economy will maintain a momentum of stable development. All the work will be based on the stable supply of agricultural products and focus on the growth of farmers’ income. Great attention will be paid to: 1) stabilizing the basic rural policies and deepening the rural reform; 2) optimizing agricultural structure through adjustment and improving the quality and efficiency of agricultural products; 3) making great efforts in the development of township enterprises and speeding up the construction of small towns and cities; 4) strengthening the construction of agricultural basic infrastructures and ecological environment and keeping a sustainable development of agriculture; 5) implementing the policies of agricultural development through science and education and pushing forward the revolution on agricultural science and technology; 6) attaching more importance on the work of poverty reduction and further implementing various policies of poverty reduction.

In 1999, the Chinese Government will provide guidance to the farmers to follow the market changes, take the quality improvement of agricultural products as the center and optimize the structure of agricultural products through adjustment while ensuring the stable growth of total grain production. Firstly, in grain production, the varieties not suitable for sales will not be produced and focus will be laid on the development of quality rice, special wheat for processing and quality protein corn. Secondly, in cotton and oil-bearing crop production, attention will be given to stabilization of Xinjiang cotton area and slightly reduce the cotton areas of Hebei, Shandong, Henan and Yangtze River area. More efforts will be made to the increase of unit yield and quality of cotton and to speeding up the development of quality rapeseed varieties. Thirdly,
more importance will be attached to the development of livestock production. While stabilizing the pig production, more attention will be paid to the animal and poultry production of grain saving and with high conversion rate, and to the herbivorous animal production. Fourthly, more attention will be paid to the development of processing, storage, fresh-keeping and transportation of agricultural products. Fifthly, the circulation and marketing of agricultural products will be further activated, the marketing system of agricultural products with wholesale market as the center will be perfected and the information release system will be set up and standardized.

I would like to give more comments on the future set-up of supply and demand of agricultural products, grain in particular, and the trend of import and export trade.

Generally speaking, the balance between grain supply and demand in China needs to be further improved. With the growth of population and people’s living standard, more attention should be paid to the increase of total grain production and diversified grain production. Therefore, there is a long way to go before the supply can fully meet the demand.

According to the food consumption model and the future population growth trend in China, if population is close to 1.3 billion by 2000, the total demand will be 500 million tons with 385 kg of per-capita availability; if population gets close to 1.4 billion by 2010, the total demand will be 550 million tons with 390 kg of per-capita availability; if population reaches the peak of 1.6 billion, the total demand will be 640 million tons with per-capita availability of 400 kg.

In grain supply, the Chinese Government will take the following measures to increase total supply: to increase the unit yield of existing cultivated land, reclaim land resources in reserve, rely on the progress of science and technology, develop non-food resources, save grain in use, etc.

As it is known to all, the per-capita availability of agricultural resources in China is at a low level in the world, the shortage of cultivated land and water resources is the most serious constraint in the development of agriculture. Under such conditions of resources, China will have to make unswerving efforts to build up agricultural productive force much higher than the world’s average level.

By relying on her own efforts in balancing the domestic supply and demand of grain, China does not exclude the use of international resources and market as an important measure to balance the good and bad harvests, adjust varieties and circulation between regions. Historically speaking, China did not rely so much on the international market. From the founding of New China to the 60s, China was a net exporter of grain. After the 60s, China imported more grain than exported. With the introduction of reform and opening to the outside world at late 70s, the portion of net imported grain in the total domestic grain production was getting less: 3.2% for the period 1978-1984, 1.2% for 1985-1990 and 0.4% for 1991-1995. The amount of net import for the years 1996-1998 amounted to 0.4% of the total production. Small amount of grain import by China will not threaten the world food security. In addition, China also imported some food. For the period, the export of Chinese food and edible animal and poultry amounted to 75.6 billion US$ and import amounted to 34 billion US$. Since 1995, there has been rather good harvest for China’s agriculture for the past 4 consecutive years. Domestic supply and demand has been basically balanced with rather abundant reserve. China has turned to be a net exporter of grain in 1997 and 1998 from a net importer before. However, the amount of export is limited. In a word, being a developing country
with large size of population and limited per-capita agricultural resources, China will become neither a large exporter of agricultural product, nor a big importer of agricultural products.

China is willing to develop trade of agricultural products with other countries in the world on the basis of mutual benefit.

Comments on Mr. Scott Rozelle’s paper:

Mr. Scott Rozelle, in cooperation with Mr. Huang Jikun, Ph.D of the Chinese Academy of Agricultural Sciences, conducted detailed study and analysis on the supply, demand and the history of import and export of China’s agricultural products, grain in particular. At the same time, Mr. Rozelle reviewed the related studies on the subject by people from various fields, collected a lot of information. Based on this, he made his prediction and analysis using mathematics module and formed some new viewpoints and conclusions.

Firstly, the future supply and demand for grain in China. I feel sorry to repeat our conclusions. Generally speaking, The slightly tight relations between supply and demand of grain in China will exist for a long time. China must rely on domestic efforts in feeding over 1 billion people, meanwhile, the use of international resources and international market should be regarded as an important measure to adjust the bad and good harvests, varieties and regional balance. In Mr. Rozelle’s paper, it is predicted that the net import of grain by China will be around 28-30 million tons by 2010. We don’t think China will import such a large amount. It is interesting to recall that, as early as 1980s and early 1990s, some experts at home and abroad predicted that China would import quite large amount of grain by 2000. However, the reality is that, due to the good harvests of agriculture in several consecutive years, basic balance of supply and demand of grain is realized. In the years with bumper harvests, the supply is even over the demand.

Secondly, the specific kind of grain to be imported by China in the future. We feel it is difficult to tell whether China will import wheat, corn or rice. Practical decision will have to be made according to the agricultural harvest, change of supply and demand and the international market in that particular year in China. Looking back at the historical and present situation, China imported mainly wheat and soybean; exported mainly corn and rice. Therefore, the basis for Mr. Rozelle’s prediction that China will import large amount of corn and rice after 2000 is the speeding up of rural urbanization and increase of rural population. We think that this prediction and its basis are subject to further consultation. Rice production is the advantage of China. Meanwhile, according to the consumption habit, the living standard of urban population is higher than that of rural population, the urban population pays more attention to the diversification of diet, thus, there will be more consumption of wheat instead of rice.
Finally, we thank again the USDA for the opportunity to attend this Forum.

Mr. Zhu Xiangdong and I will be pleased to answer your questions.