Analysis on After-effects of Direct Subsidies for Grain Production in China

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Abstract Long term of grain production subsidy policy can be guaranteed only with sound and sustainable development of economy, stable growth of fiscal revenues, and improvement of subsidy system. In combination with social survey, this paper analyzed after-effects of direct subsidies for grain production in China from pressure of grain production subsidies on central finance and local finance, consequence possibly brought about by classified bearing of direct subsidies for grain production, effectiveness of direct subsidies on stimulating grain production, and effect of direct subsidies on production of other agricultural products. It is concluded that direct subsidies for grain production should be shifted to direct subsidies for agricultural production, which will be the reform and development trend of financial support for agriculture.

Key words Fiscal policies, Direct subsidies for grain production, After-effects

In China, agricultural production, as major source of industrial accumulation and development, holds an important position in development of national economy, while grain production is the foundation for maintaining national security and social stability. In view of this, since the foundation of new China, both the Party and central government care about and support development of agricultural production, especially development of grain production all the time. In order to summon up enthusiasm of farmers for planting grain and increase income of grain producers, China fully implemented the policy of direct subsidies for grain production from 2004, marking focus of subsidies for grain production shifting to production field. At present, direct subsidies for grain production mainly involve construction of grain production conditions, purchase of means and tools of grain production, services of grain production, and comprehensive subsidies for increasing farmers’ income. The policy of subsidies for grain production exerts influence on fiscal, grain production and production of other agricultural products in different directions and in varying degrees[1-2].

1 Pressure of subsidies for grain production on central finance

According to incomplete statistics, the accumulative total amount of subsidies for grain production, agricultural means of production, fine seed, and large agricultural machinery and tools reached 613.21 billion yuan from 2004 to 2011. Direct subsidy for grain production was started from 2004. From then on, the subsidy amount increased year by year. It increased from 11.6 billion yuan from 2004 to 15.1 billion yuan in 2007. From 2006, central finance arranged comprehensive direct subsidies for means of agricultural production, in order to better protect farmers’ benefits and compensate for influence of price rise of means of agricultural production on income of farmers from planting grain. In 2006, the direct subsidy amount for means of agricultural production was 12 billion yuan; in 2007, it was 27.6 billion yuan, increased about 130%; In 2008, the direct subsidy amount for means of agricultural production reached 63.8 billion yuan, increased about 131%, in addition to 15.1 billion yuan direct subsidies for grain production, the total amount of direct subsidies for farmers in 2008 was up to 78.9 billion yuan, so the total amount of four kinds of subsidies in 2008 reached 102.8 billion yuan; In 2009, the total amount of four kinds of subsidies was 123.08 billion yuan, increased about 19.4%; In 2010, the total amount of four kinds of subsidies was 133.49 billion yuan, increased about 9.5%; In 2011, the total amount of four kinds of subsidies reached 140.6 billion yuan, increased about 14.7%, including 15.1 billion yuan for grain production, 86 billion yuan for means of agricultural production, 22 billion yuan for fine seeds, and 17.5 billion yuan for agricultural machinery and tools.

To guarantee national grain security, adapt to characteristics of grain industry, and promote stable development of grain production, the policy of subsidies for grain production should be implemented for a long term. Long term of grain production subsidy policy can be guaranteed only with sound and sustainable development of economy, stable growth of financial revenues, and improvement of subsidy system. Limited by rigid demand of grain, to ensure continuity of the policy, with economic development, increase in cost for grain production and rise of price, the subsidy standard for grain production should be increased, otherwise, it will influence performance of the subsidy policy. Especially, the comprehensive subsidy for means of agricultural production is adjusted with price of means of agricultural production and takes on the trend of continuing growth. The existing subsidy system will bring about competition of suppliers of means of agricultural production, farmers and the state. Under the promotion of market,
farmers and the state stay in unfavorable position, which will promote increase in subsidies for grain production and pressure of central finance.

2 Pressure of direct subsidies for grain production on local (provincial and county levels) finance

2.1 Pressure of subsidies for grain production on provincial and county level finance At present, funds of direct subsidies for grain production mainly come from grain risk fund, which is assumed jointly by central and local finance. From 1998, the grain risk fund was assumed by central and local finance at the ratio of 1:1.5, and the gap portion was shared equally by central and local finance. Since the lump-sum method for risk fund subsidy was implemented, local finance should assume gap fund, principal of unsettled account of old grain subsidies, as well as principal and interest of new grain subsidies[3-4]. In general, fund assumed by local finance annually takes up 5% - 6% of fiscal revenues. Once there is shortage of financial resources, it will further increase financial burden. Besides, with deepening of the reform of grain circulation system, the burden faced by finance will be further increased. If subsidy of provincial finance fails to be allocated, only local finance is hard to carry on. In the mode of central and local finance jointly assuming direct subsidies for grain production, local government of grain production areas has to pay higher subsidy funds. Take 52 counties and cities with grain yield higher than 500 million kg, the fiscal expenditure level per capita is lower than 1/3 of average national level, so the conflict is big[3-5]. Therefore, the pressure of subsidies for grain production is great for both large and small grain production provinces and counties.

2.2 Inversion of pressure on subsidies for grain production and fiscal revenue level The direct subsidy for grain production is not consistent with cost-benefit symmetry principle. Benefit areas of safe grain production include major grain producing areas, non major producing areas, and grain consumption areas. Major grain producing areas assume cost of direct subsidies for grain production. Thus, it is not fair if all areas share the cost equally but obtain benefits differently[4-6]. Although central government has allocated subsidy funds in major grain producing areas, major grain producing areas still assume higher cost for grain security. Since fiscal revenue level of major grain producing areas is not high, there will be the problem of inversion of pressure on subsidies for grain production and the fiscal revenue level. According to the principle of "the area that benefits should assume the cost", subsidies for grain production should extend to all areas of grain consumption, and all areas should assume cost for safe grain production in respective area. It is required to expand sources of grain subsidies, to alleviate the inversion of pressure on subsidies for grain production and fiscal revenue level, so as to ensure safe grain production.

3 Consequence brought about by classified bearing of direct subsidies for grain production

At current stage, there is no reasonable basis standard for fund amount of direct subsidies for grain production in each province. Basically, it is determined on the basis of fiscal expenditure ability. In addition, there is significant difference in grain area, quantity and commodity amount needing subsidies in each area. Therefore, regional difference in overall fiscal level and grain amount needing subsidies jointly determine regional difference in subsidy standard. From absolute amount of farmers' income, the direct subsidies for grain production can be divided into three levels[4-6]: East China coastal areas and North China areas have high per capita subsidies; northeast and central south areas have medium per capita subsidies with various factors and conditions at medium level; northwest and southwest areas have low per capita subsidies due to backward implementation conditions and level of the policy of direct subsidies for grain production, inadequate natural endowment of economic foundation, and external unfavorable conditions. Regional difference in subsidy standard and classified bearing of direct subsidies for grain production may bring about following consequences:

3.1 Large grain producing provinces and counties are low in subsidy standard and weak in stimulating production Wide subsidy range and limited subsidy funds lead to low subsidy standard in large grain producing provinces and counties and weak production stimulation. Subsidy standard in major grain producing areas is generally lower than that in economically developed areas. In consequence, there is a big gap in financial subsidy revenues of farmers in two areas. The enthusiasm of farmers in major grain producing areas will be influenced, and the production stimulation effect will be worse.

3.2 Small grain producing provinces and counties are high in subsidy standard, but the yield increase is limited Since subsidy range in small grain producing provinces and counties is narrow and financial strength is great, there are comparatively large funds. Small grain producing provinces and counties are high in subsidy standard, but their yield increase is limited. Coastal economically developed East China areas and North China areas are high in per capita subsidy standard, like Shanghai. Nevertheless, due to restriction of planting area, the increase in grain yield is limited.

3.3 Grain outflow areas assume subsidies of grain inflow areas At present, direct subsidies for grain production are not consistent with cost-benefit symmetry principle. As a result, grain outflow areas have to assume subsidies of grain inflow areas. In the existing classified bearing mechanism of subsidies, government of grain outflow areas assumes a large portion of direct subsidies for major grain producing areas. Due to low comparative benefit of grain production, grain consumers in grain inflow areas enjoy cheap grain. In consequence, grain outflow areas have to indirectly assume subsidies of local finance, and engage in grain production, to satisfy demand of grain inflow areas.

3.4 Economic development of major grain producing areas is obstructed Due to low comparative benefit of grain production and limitation of existing subsidy level of grain production, meas-
ured simply from GDP, income level of major grain producing areas is generally low, financial strength is not great, economic development is obstructed, non-agricultural proportion fails to be increased, and expansion of secondary and tertiary industries lacks stamina.

4 Effectiveness of direct subsidies in stimulating grain production

4.1 Stimulating enthusiasm of farmers for planting grain

Locally, the stimulation function of direct subsidies for grain production has dual character. In recent years, with the increase in the amount of direct subsidies for grain production year by year, farmers’ enthusiasm for planting grain is stimulated to a certain extent\(^8\). However, it also should note the other side of direct subsidies for grain production. In other words, it is also difficult to stimulate enthusiasm of farmers for planting grain. The key reason lies in small amount of subsidies, which can not change the comparative income between staple food grain and other crops and cash crops, and between agricultural production and non-agricultural production, some farmers will not change their production operation due to direct subsidies for grain production, so the direct subsidies for grain production fail to bring about guiding effect\(^9\).

According to our questionnaire conducted in August 2008, after direct subsidies for grain production, 37.34% farmers were willing to plant grain, 25.97% farmers were unwilling to plant grain, and 36.7% farmers expressed that there is no influence.

4.2 Stimulating grain farmers to adopt advanced technology

According to our questionnaire conducted in August 2008, after direct subsidies for grain production, 46.14% farmers were willing to adopt advanced technology, 17.17% farmers were unwilling to adopt advanced technology, and 36.7% farmers expressed that there is no influence.

4.3 Stimulating large scale and specialized grain production

The implementation of direct subsidies for large grain farmers is favorable for promoting concentration of grain field in large grain farmers, so as to gradually realize large scale grain planting, obtain scale benefit and increase farmers’ income. Our questionnaire conducted in August 2008 indicates that after implementation of direct subsidies for grain production, 37.55% farmers were willing to increase input in grain planting, 26.39% were unwilling to increase input, and 36.05% expressed that there is no influence; as for contracting more farmland, 33.05% farmers were willing, 28.54% farmers were unwilling, and 38.41% expressed that there is no influence.

4.4 The amount of direct subsidies for grain production having risk of cyclic rise

Due to long term of subsidy policy for grain production, the direct subsidies for grain production have risk and pressure of cyclic rise, in order to keep national grain security and continuity of this policy.

5 Influence of direct subsidies for grain production on production of other agricultural products

In general, the influence of direct subsidies for grain production is uncertain on production of other agricultural products. According to data of China Statistical Yearbook, the gross output value and index of agriculture, forestry, animal husbandry and fishery in recent years, especially in 2004 - 2010 showed stable growth trend of output value of agricultural sectors. For output of livestock products, except fluctuation in pork, the output of most livestock products increased year by year; for output of aquatic products, most aquatic products increased year by year; for major forestry products, except fluctuation in production of crude lacquer and tallow-seed, the output of other forestry products increased year by year.

6 Conclusions and policy recommendations

For the first after-effect, the key is to improve budgetary expenditure structure of central finance, take full consideration of the public nature of grain production, and safeguard grain security at the level of national security. For the second and third after-effects, it should fully consider responsibilities of major grain producing areas and non major grain producing areas for direct subsidies. From the positive externality of grain production, it should exempt responsibilities of local finance of major grain producing areas from subsidies. Considering fundamental security function of major grain producing areas in developing national economy, it is required to provide generous support in finance. For the fourth after-effect, it is required to take notice of negative side of existing subsidies for grain production, and make improvement through perfecting subsidy policies. For the fifth after-effect, it is required to pay attention to the importance of coordinated development of agricultural industrial structure. The existing subsidy effect indicated that it has no negative influence on optimization of internal agricultural industrial structure. Instead, since the subsidies promote growth of grain production, it lays a solid foundation for development of other agricultural sectors. With further optimization and adjustment of national economic structure, to safeguard interests of agricultural producers and strengthen fundamental position of agriculture, direct subsidies for grain production should be shifted to direct subsidies for agricultural production, which will be the reform and development trend of financial support for agriculture\(^10\).

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level, visitor flow in slack and busy season, and different consumer groups. For example, preferential theme tours can be planned in summer and winter holidays, after entrance examinations; family tickets for holidays and golden weeks; for local visitors, annual ticket is an effective way to increase quantity of visitors and improve income.

4.6 Advertisement marketing Advertisement includes television advertising and paper advertising. Developers have to convey new tourism contents to visitors via effective transmission means, improve exposure rate of theme park, enhance visitors’ impression about the image of the park; or improve popularity of the park via film and television works, rouse curiosity of potential visitors so as to drive the consumption. For example, as soon as a new theme of Disneyland is invented, advertisement will swallow the world to keep permanent charm of the park in the heart of consumers.

4.7 Online marketing There are mainly two means of online marketing: (a) establishing their own websites; (b) advertising on portal websites or putting links on these websites. And these two means are always applied comprehensively. Online marketing should offer rich and fast experience, cultivate a great number of potential visitor sources, attract more attention of visitors, and make the image of theme park deeply rooted among the people. However, online marketing of Chinese theme parks lags far behind that of famous foreign theme parks, such as Disneyland, and fails to attract sufficient attention of domestic theme parks. The future online marketing should further enrich the content of website, introduce more animation, video, text and multi-media technologies. In terms of function, theme park websites can provide online games or online reservation service, and also collect information.

4.8 Integrated marketing Another successful profit mode of theme park is "industrialization of theme park", i.e. building industrial chain of theme park, integrating theme tourism, theme real estate, and theme business, breaking the unitary concept of tourism or real estate. Planning of real estate, commerce and park landscapes should be integrated to present a sound human settlement system with harmonious living, entertainment and commercial elements. Moreover, theme park development promotes the development of all related industries such as vacation facilities, travel agency, song and dance, planning and design, animation, online games, and theme products, to fully play the group effect.

5 Conclusion
Chengdu theme parks have entered a transitional period and received new concepts as more international brands are introduced into the market, Oceanarium, Guosetianxiang, Happy Valley, Dreamy Island, Polar Aquarium have distinct characteristics. However, theme park is not mature enough as a leisure industry, it is faced with many challenges, and has to analyze the market trends, and adapt to the market by updating their market orientations, and prepare necessary conditions for making marketing strategies and combining marketing elements. In addition, connotations of Bai- Shu culture should be fully explored, powerful self-owned brands established on the basis of constant innovation, so as to create tourism culture with outstanding local characteristics.

References