China’s Role in International Agricultural Markets

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Overview

- China is world’s largest agric. economy;
- After joining WTO in 2001, China was expected to play greater role in the world agric. trade;
- But food self-sufficiency has been a policy priority for decades;
- It is time to make an early assessment of the impacts of China’s WTO membership.
China’s WTO Commitments & Compliance

• **Commitments**
  • Tariffs cut
  • TRQs: for wheat, corn, rice, sugar, cotton, & wool;
  • Cap domestic support: 8.5% of value of production;
  • Reduce role of State Trading
  • Reduce export subsidies
  • Abide by plant/quarantine rules

• **Compliance**
  • Tariff cut: from 17.9% in 2001 to 15.2% in 2010;
  • Domestic support: below the cap.

• **Export control on grain products in 2007-08**
  • Indicates continued focus on domestic food security.
Importance as Trader Has Grown

- China is 4th largest U.S. Ag export market. Leading exports are soybeans ($7.3 B), cotton ($1.6 B), & hides and skins ($0.86 B).

- China is 3rd largest supplier of U.S. Ag imports. Processed fruits/vegs ($813 M), fruit & veg juices ($677 M), snack foods ($186 M), & tree nuts ($103 M).

- China: 3.2% of global agric. exports & 6.1% of agric. imports.

- World’s 5th largest agric. exporter & 3rd largest importer.
Make-Up of China’s Agricultural Imports (%): 2008

- Soybeans: 37.4%
- Cotton: 6.0%
- Palm oil: 8.0%
- Soybean oil: 5.7%
- Frozen Fish: 4.7%
- Fish meal for feed: 2.4%
- Wool: 2.9%
- Fruit: 2.0%
- Sugar: 1.8%
- Other: 29.1%

Source: China’s Customs Statistics. DRC.
China's position in world agric trade has reversed

Source: China's Customs Statistics. DRC.
Cotton: Tariff Rate Quota and Actual Imports

Source: China's Customs Statistics.
Food Security Objective Unaffected by WTO Accession

China remains a net exporter of corn & soybean imports growing

Note: Negative number indicates net imports. Source: China's Customs Statistics
## Average Crop Yields; 1997-2007 (mt/ha)

<table>
<thead>
<tr>
<th></th>
<th>Rice</th>
<th>Wheat</th>
<th>Corn</th>
<th>Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3.94</td>
<td>2.72</td>
<td>4.52</td>
<td>2.26</td>
</tr>
<tr>
<td>U.S.</td>
<td>7.25</td>
<td>2.76</td>
<td>8.84</td>
<td>2.64</td>
</tr>
<tr>
<td>China</td>
<td>6.25</td>
<td>4.06</td>
<td>4.96</td>
<td>1.74</td>
</tr>
</tbody>
</table>

Source: USDA
China remains a net exporter of rice. Wheat trade is erratic.

Note: Negative number indicates net imports. Source: China’s Customs Statistics.
China's Horticultural Exports Have Grown

$ Billion

4 fold increase

Source: China’s Customs Statistics. DRC.

Note: Includes HS Codes 07, 08 & 20.
But so have Horticultural Imports

$ Billion

6 fold increase

Source: China’s Customs Statistics. DRC.

Note: Includes HS Codes 07, 08 & 20.
Rural urban income gap continues to widen

Source: China Statistical Yearbook
China's farmers make up almost 40% of the national labor force but produce less than 11% of the GDP.

Labor productivity in agric. < $\frac{1}{4}$ that of industry & < $\frac{1}{3}$rd of that in service sector.

Labor does not move freely between rural & urban employment.
Conclusions

• Real gains from liberalization of China’s agric. have not yet been fully realized.

• China’s agric. trade only loosely corresponds to comparative advantage principles.

• Grain security is still center of gov’t policy.

• Weak food safety regulations have undermined confidence in China’s exports.
Conclusions

• China will remain as a major importer of bulk agric. commodities.

• If yield difference is considered, imports of edible oils equals 30% of domestic grain sown area.

• Subsidies have increased, but remain relatively low & the impact on production is not huge.

• GM corn, soybeans & rice would immediately boost productivity, through higher yields and reduced farm costs.