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United States Department of Agriculture

The Future of China Demand and Trade: a “China Dream”

Fred Gale

Senior Economist

Economic Research Service

www.ers.usda.gov



*“Believe the China dream” graphic from
a Chinese news media outlet.*





United States Department of Agriculture

- A prosperous China
 - + An urbanized China
 - + Relief for over-extended natural resources in China
 - + A highly productive U.S. farm-food sector
-

A mutually-beneficial U.S.-China agricultural-trading partnership



"China dream" spelled out by different Strains of rice planted in a field in Japan

A "China dream" ...Is it coming true? Can it?



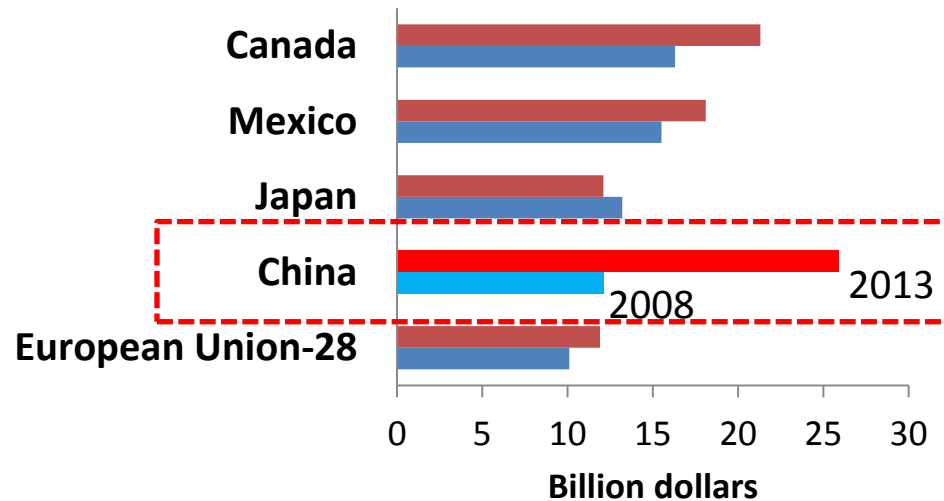


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China is now the top market for U.S. agricultural exports

18 percent of U.S. agricultural exports go to China

Top 5 U.S. agricultural export markets, 2008 and 2013



Source: ERS analysis of USDA/FAS GATS database.



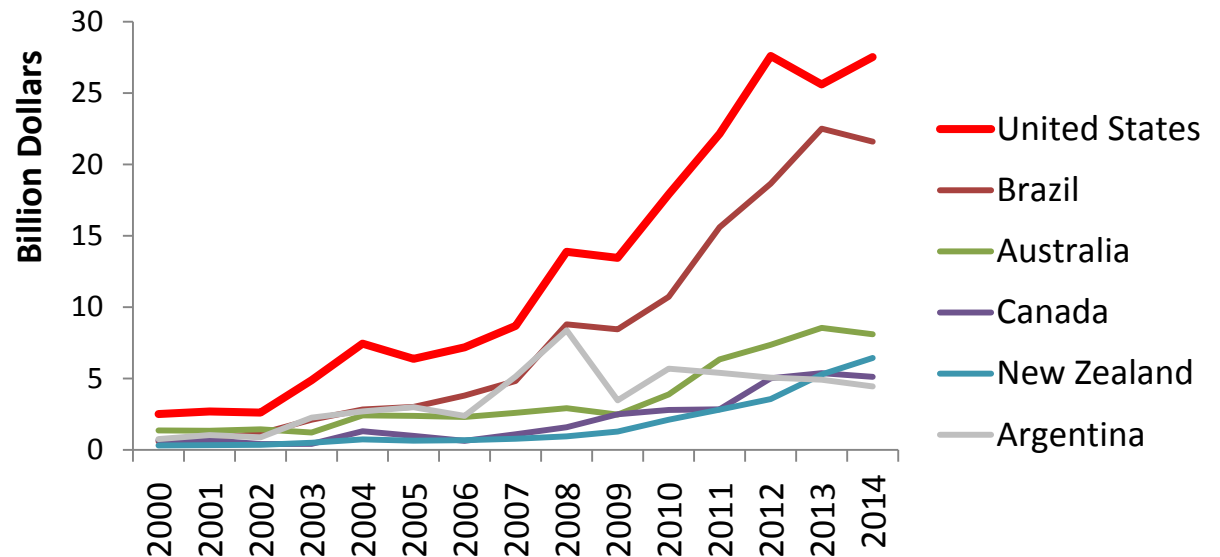


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The United States is the leading supplier of China's agricultural imports

China agricultural imports, by supplying country, 2000-2014



Source: ERS analysis of China customs statistics reported by Global Trade Atlas.





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USDA and Chinese projections anticipate a similar future of rising Chinese agricultural imports

Projections of China imports by USDA and two Chinese institutes:

Commodity	USDA, 2023/24	USDA, 2024/25	China Academy of Agricultural Sciences 2023/24	China Research Center for Rural Economy 2023/24
Million metric tons				
Rice	2.4	3.0	2.3	1.8
Wheat	5.5	3.3	3.1	5.7
Corn	22.0	6.5	12.0	18.0
Soybeans	112.0	103.9	74.0	75.0
Meat	2.4	2.7	2.4	NA
Cotton	4.6	4.6	1.6	3.0

Ten-year projections in USDA baselines released in 2014 and 2015
And in unpublished reports by China Academy of Agricultural Sciences
And Ministry of Agriculture, Research Center for Rural Economy.





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Dreams often reflect anxiety

Reacting to the increase in imports, “food security” is a top priority for Chinese officials
“Chinese bowls must be filled mostly with Chinese food”

...Ongoing tension between market-driven resource allocation and Chinese aspirations for self-reliance

Market says, “use scarce land for high-value activities”
Food security says, “plant grain”

Prices are seldom “just right”, so there is constant Intervention in markets.



安全感

新华网
www.news.cn
新华社发 朱总牌 作





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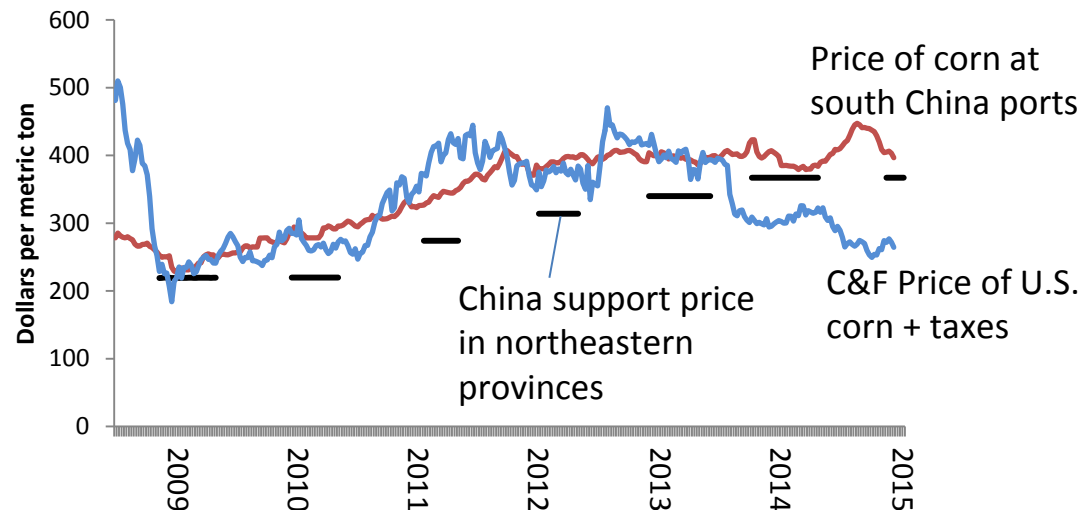
Chinese officials did not anticipate a decline in global grain prices

They raised price supports to ensure good net returns for farmers.

The increase in the Chinese price support for the 2013/14 crop created a distorted market.



China support price for corn now exceeds the cost of imported corn



Source: ERS analysis of data from China National Grain and Oils Information Center, U.S. Grains Council and China National Development and Reform Commission.

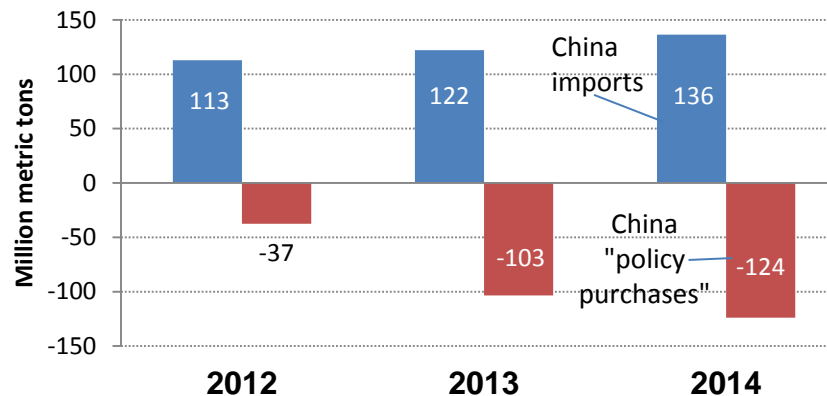




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Dreams are not always what they appear to be
China's imports of bulk commodities are nearly equal to
the volume of domestic commodities taken off the market
by Chinese price support programs

**China: imports grow while
government adds to grain stockpile**



Note: Imports for calendar year of soybeans, other oilseeds, grains, distillers grains, fish meal, and cassava;
policy purchases by the government at minimum prices or for "temporary reserves."

Source: ERS analysis of Chinese customs statistics and data from China grain bureau.





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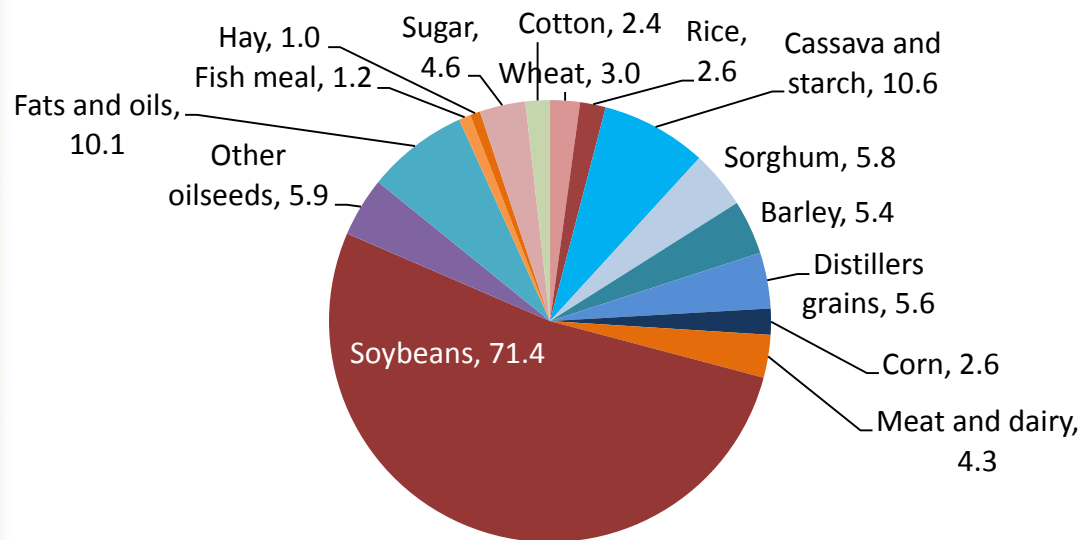
China imported 71 mmt of soybeans during 2014 and stockpiled 70 mmt of its domestic corn crop

Land used to grow surplus corn and rice in China could have been used
to grow more of its own soybeans

The market does not have a "decisive role" in China

China major commodity imports, 2014

million metric tons



Source: ERS analysis of China customs statistics.

Economic Research Service

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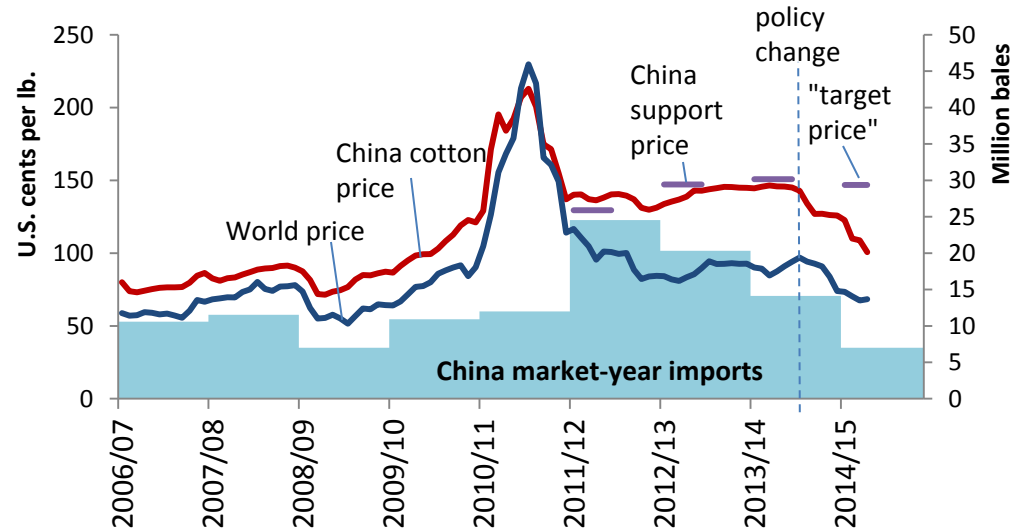


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The cotton market gives us a preview of how these policies impact markets

China's imports of cotton were unusually high, keeping world prices elevated;
Now that that the policy is ended, imports and prices are falling

China's cotton policy temporarily boosted its imports and prices





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China's "China dream" ...does it mesh with ours?



Prosperous
and strong
country

Happy
people

Renaissance of
The Chinese race

*Chinese communist party
Guangdong Province
propaganda committee*





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Conflicts in a growing agricultural-trade relationship

- Chinese authorities are looking for ways to protect their own producers and processors; experimental reforms of every aspect of agriculture
- Approaches to sanitary and phytosanitary risk often clash
- Ambivalence over technology:
 - Science versus consumer resistance
 - Want advanced technology but wary of dominance by multinationals
 - New public-private approaches to R&D and dissemination of technology
- Investment
 - Investment vacuum in Chinese agriculture
 - But encouraging Chinese outbound investment





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Pursue the China dream, but keep your eyes open





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China's Growing Demand for Agricultural Imports

Fred Gale, James Hansen, and Michael Jewison



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