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U.S. Department of Agriculture
Agricultural Outlook Forum 2005
February 25, 2005

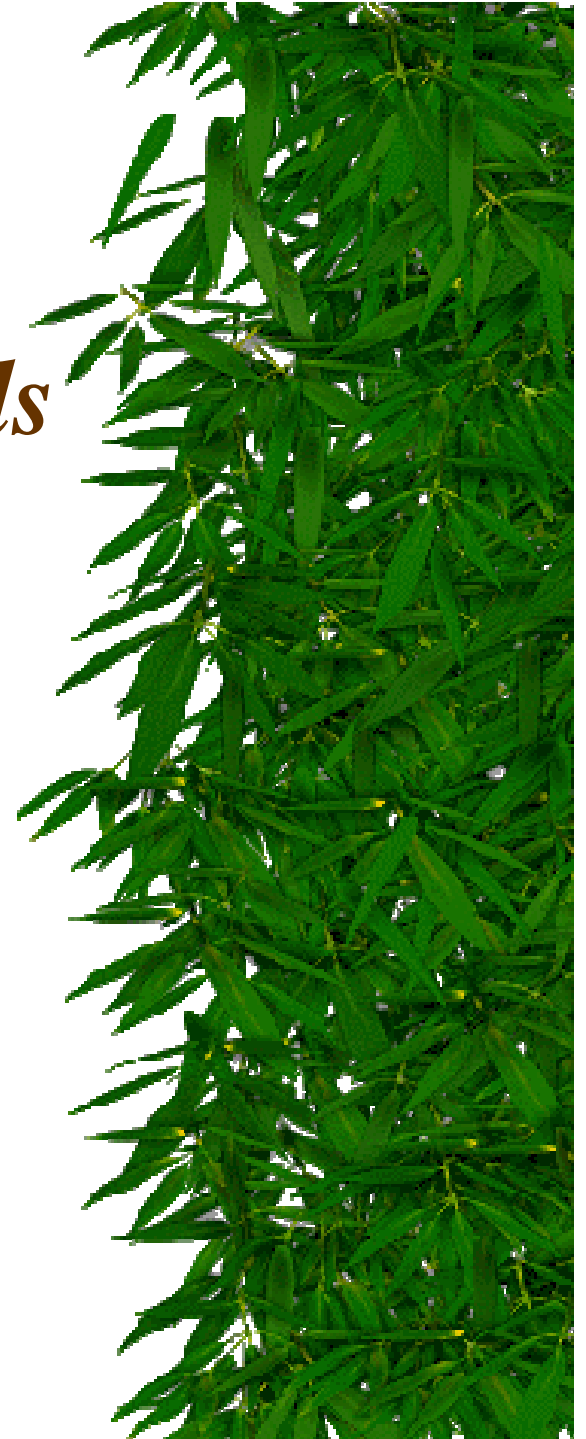
CHINA'S GRAINS AND OILSEEDS SITUATION

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China's Grains and Oilseeds Situation

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Why China Important?

China's Grain and Oil Trade Have Been Significant and Volatile Since 1980:

Wheat imports: from 0.5 to 15 mmt;

Soybeans imports: from 0 to 21 mmt;

Corn exports: from 0 to 16 mmt;

Rice exports: from 0 to 2.6 mmt

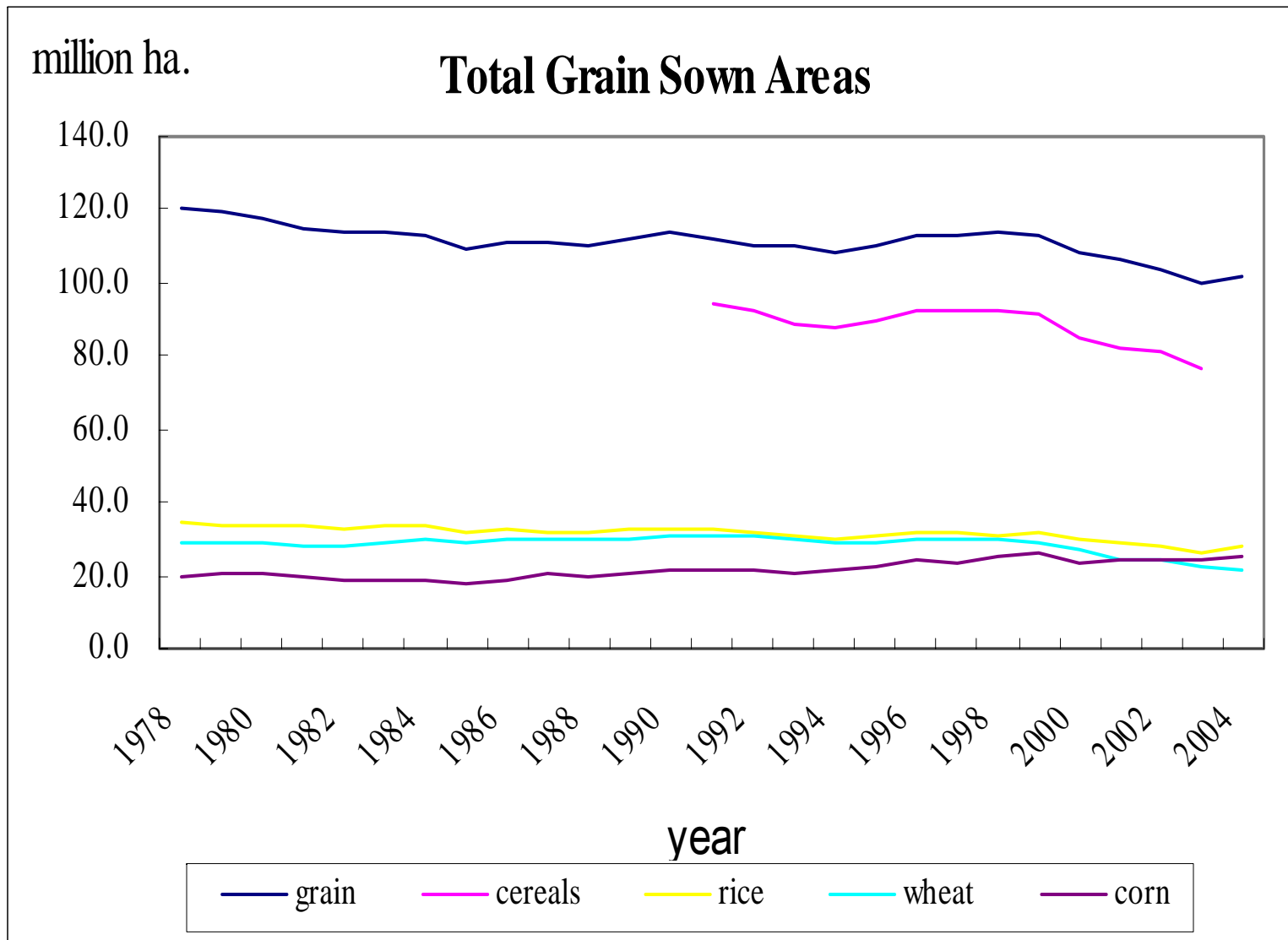


Outline of Presentation

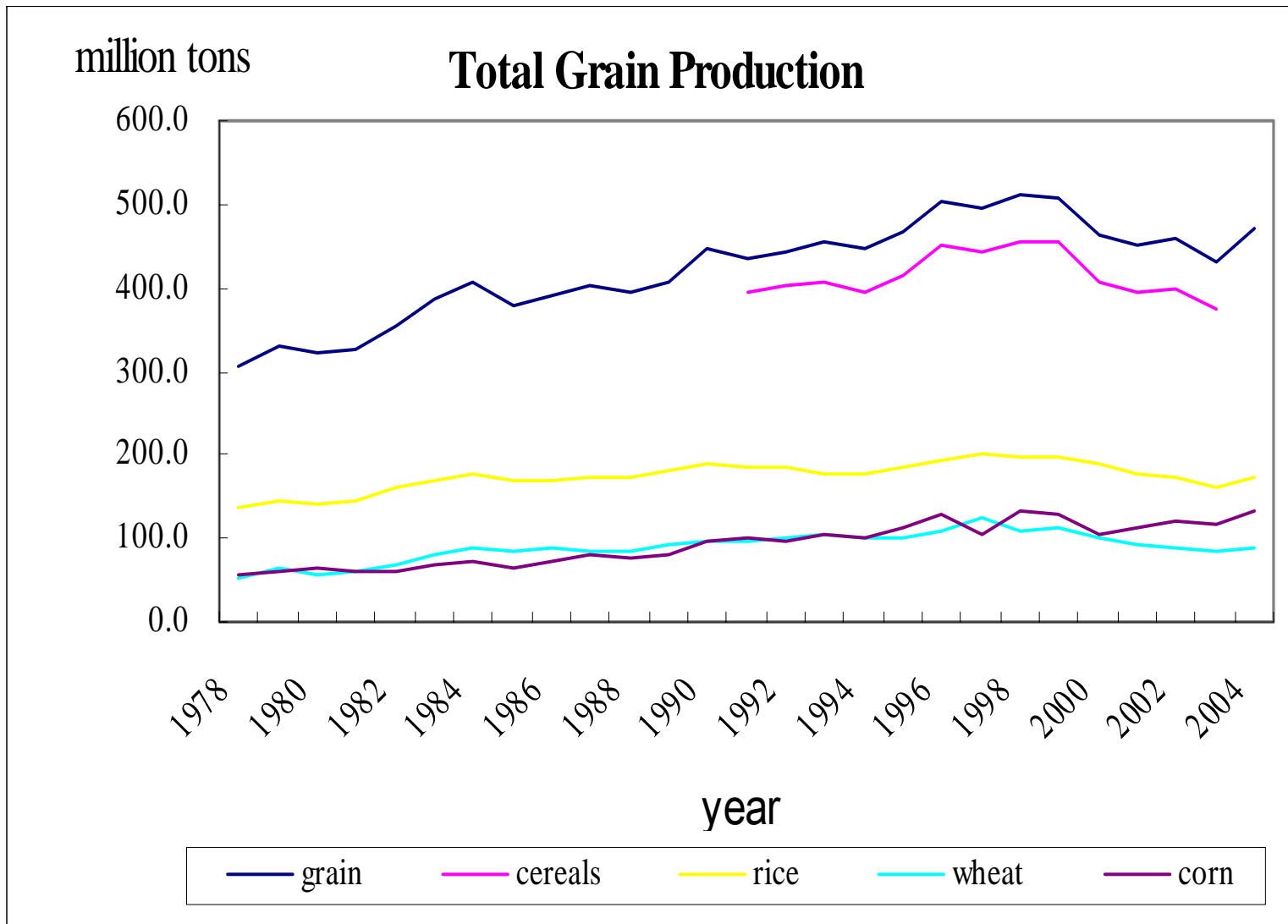
- ★ **Importance of China's Grain and Oil Situations**
- ★ **Past Trends in China's Grain and Oil Production and Trade**
- ★ **Role of Grain Reserve Stocks**
- ★ **Prospects for 2005 and Beyond**



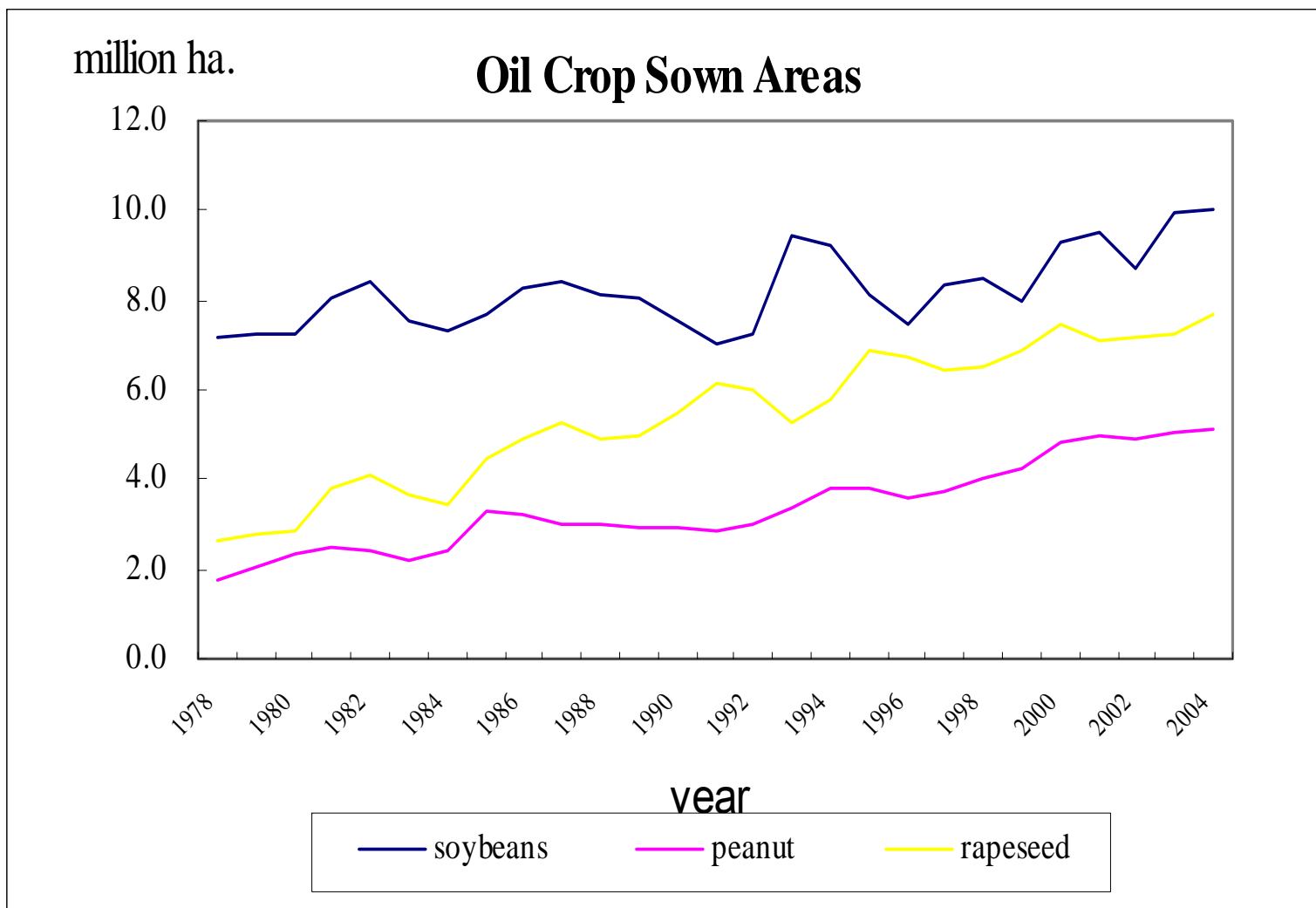
Past Trends



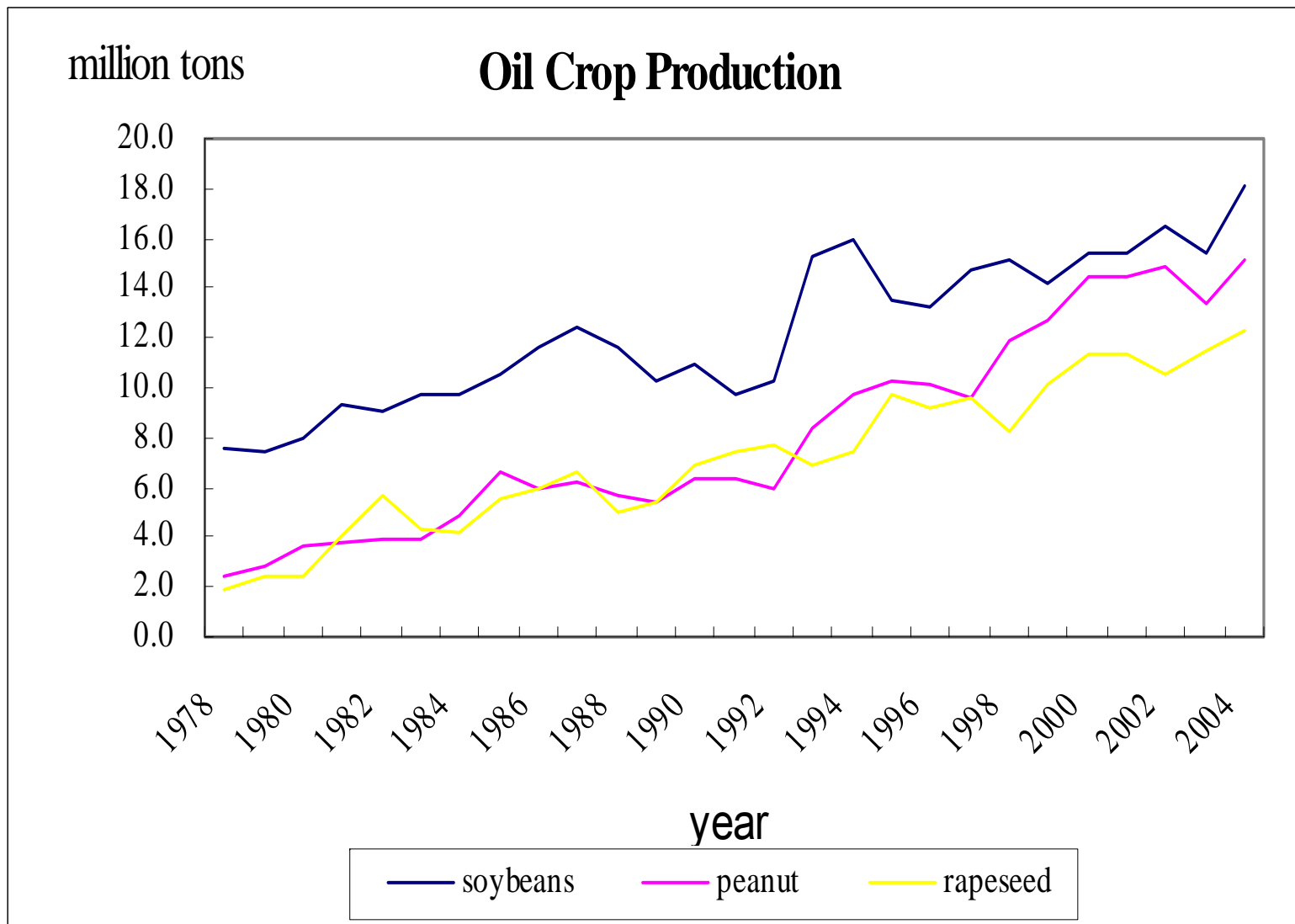
Past Trends



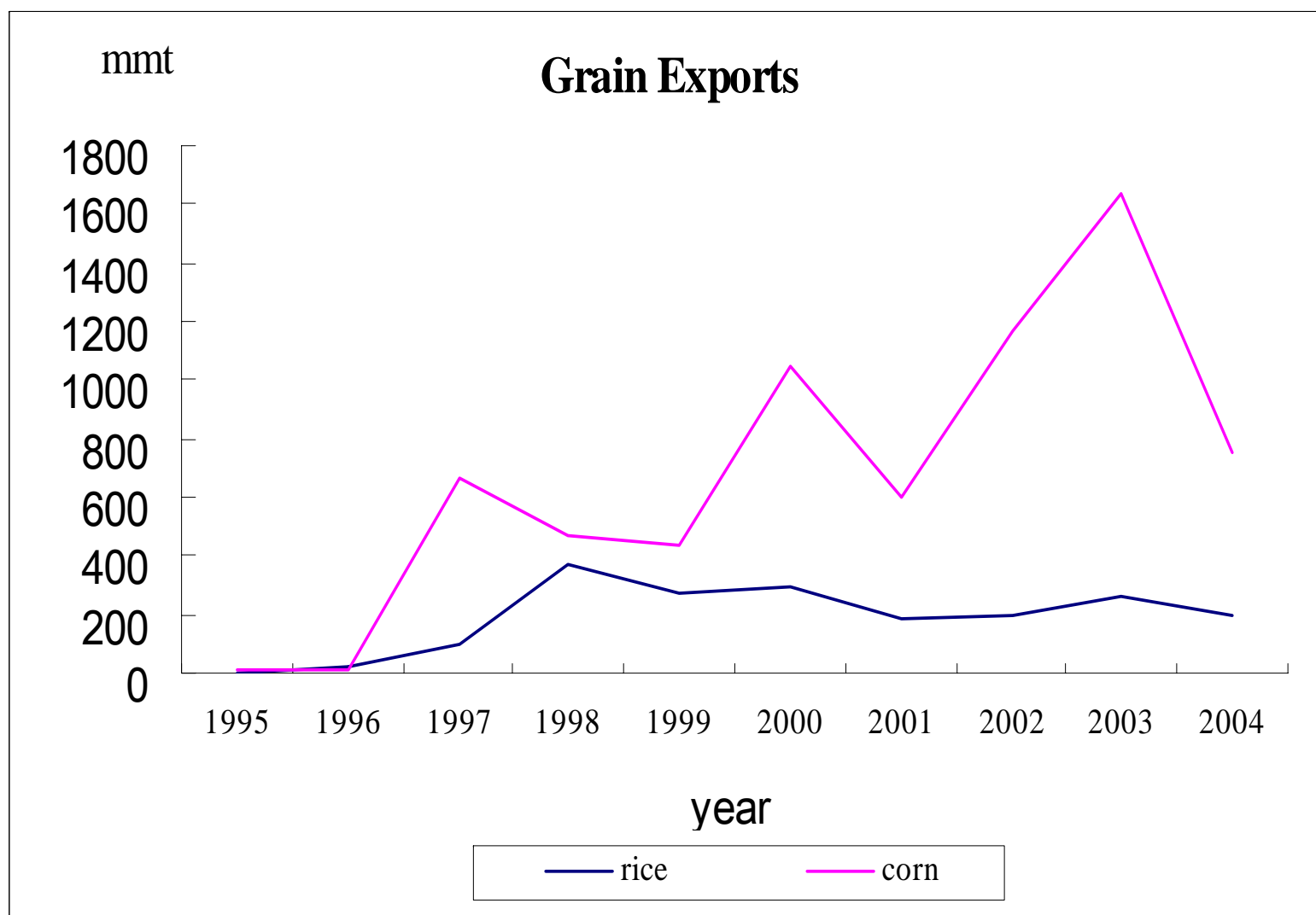
Past Trends



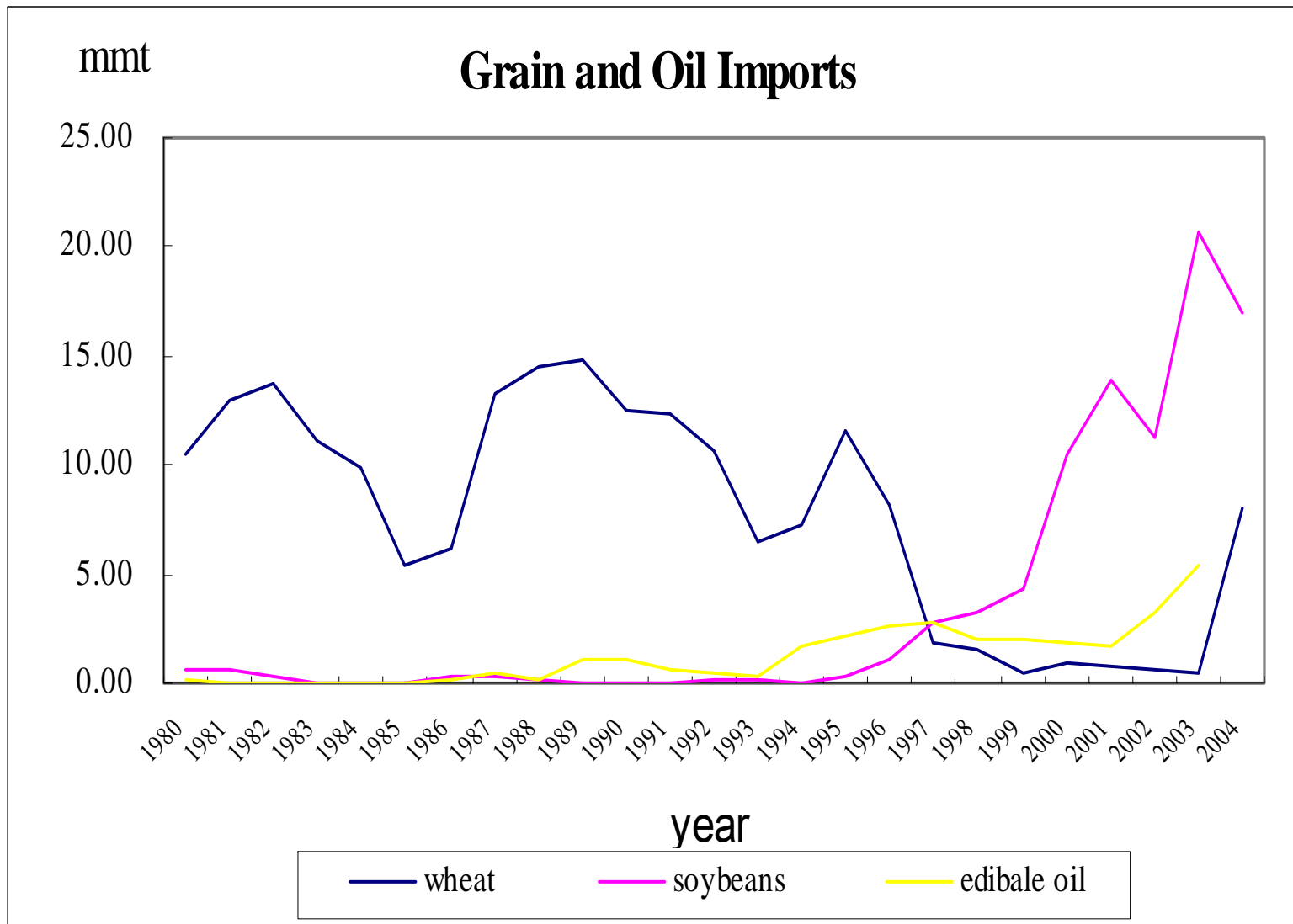
Past Trends



Past Trends



Past Trends



Role of Reserve Stocks

- ★ **According to China National Grain & Oil Information Center estimates, China's cereals (rice, wheat and corn) reserve stocks have reduced significantly in the new century:**

2000/01	30.6 mmt
2001/02	45.1 mmt
2002/03	52.3 mmt
2003/04	61.7 mmt
2004/05	15.7 mmt
Total	205.4 mmt



Role of Reserve Stocks

Changes in Reserve Stocks, mmt

	2000/01	2001/02	2002/03	2003/04	2004/05	Total
Corn	-15,166	-11,210	-13,640	-10,104	5,500	-44,620
Wheat		-14,218	-17,146	-19,357	-6,442	-57,163
Rice	-6,267	-19,645	-21,612	-32,316	-15,569	-79,840
Soybeans	2,115	-2,327	3,394	-1,743	73	1512

Source: China National Grain and Oil Information Center.



Role of Reserve Stocks

- ★ **Future trade clearly depends on production, consumption and accumulative change in stocks;**
- ★ **Are estimates of CNGOIC accurate?**

Imports data reliable;

Production data relatively reliable;

Consumption data questionable;

Stock data questionable



Role of Reserve Stocks

- ★ **Assumptions for simulation:**

Accumulative consumption in 1993-2003 equals to the sum of total production and net import during the same time period;

The growth rate of consumption is relatively fast at early stage and gradually decline.

- ★ **Scenario I**

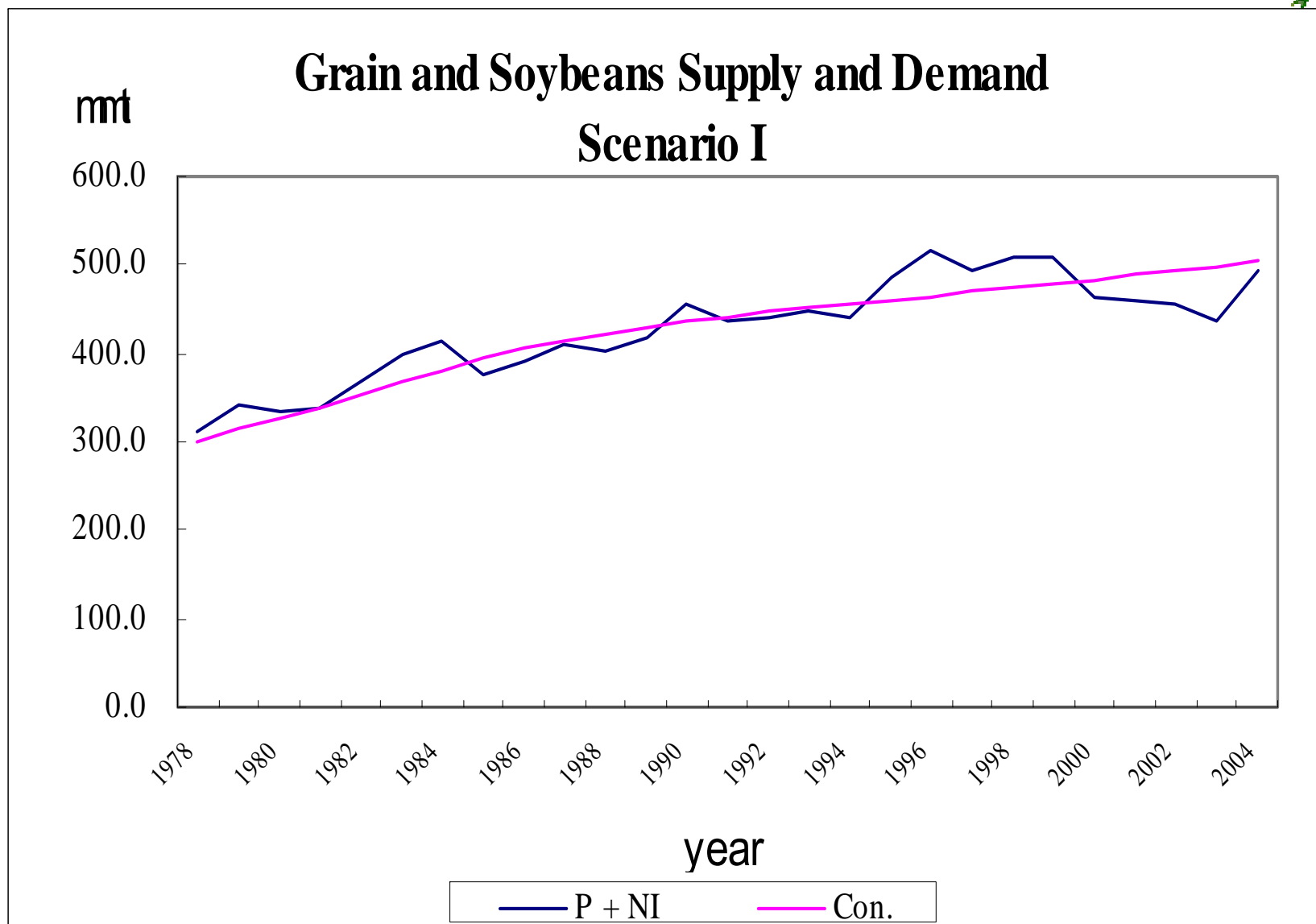
1978-85, 4%; 1985-90, 2%; 1990-2004, 1%

- ★ **Scenario II**

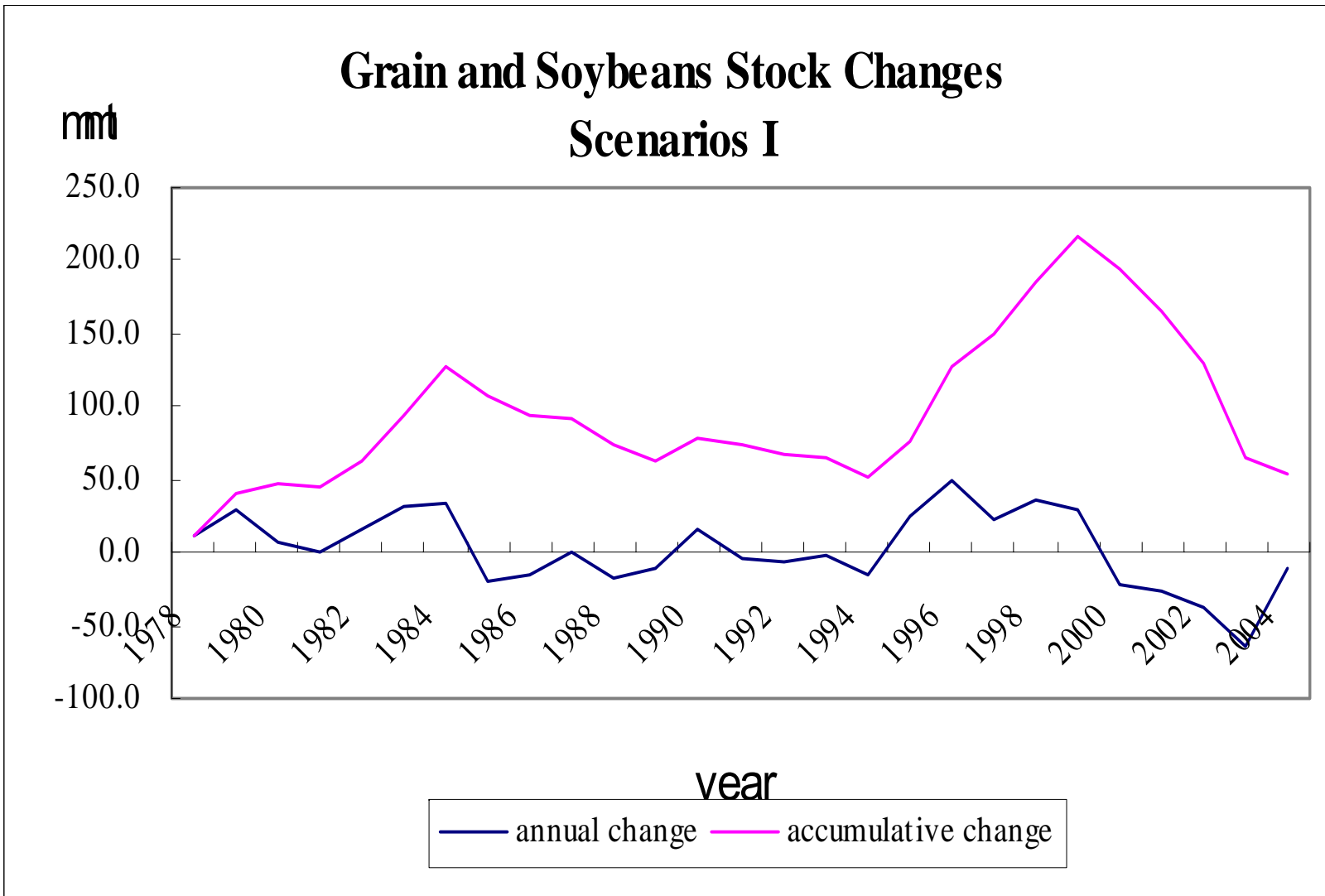
1978-85, 4%; 1985-93, 2%; 1993-2004, 0.5%



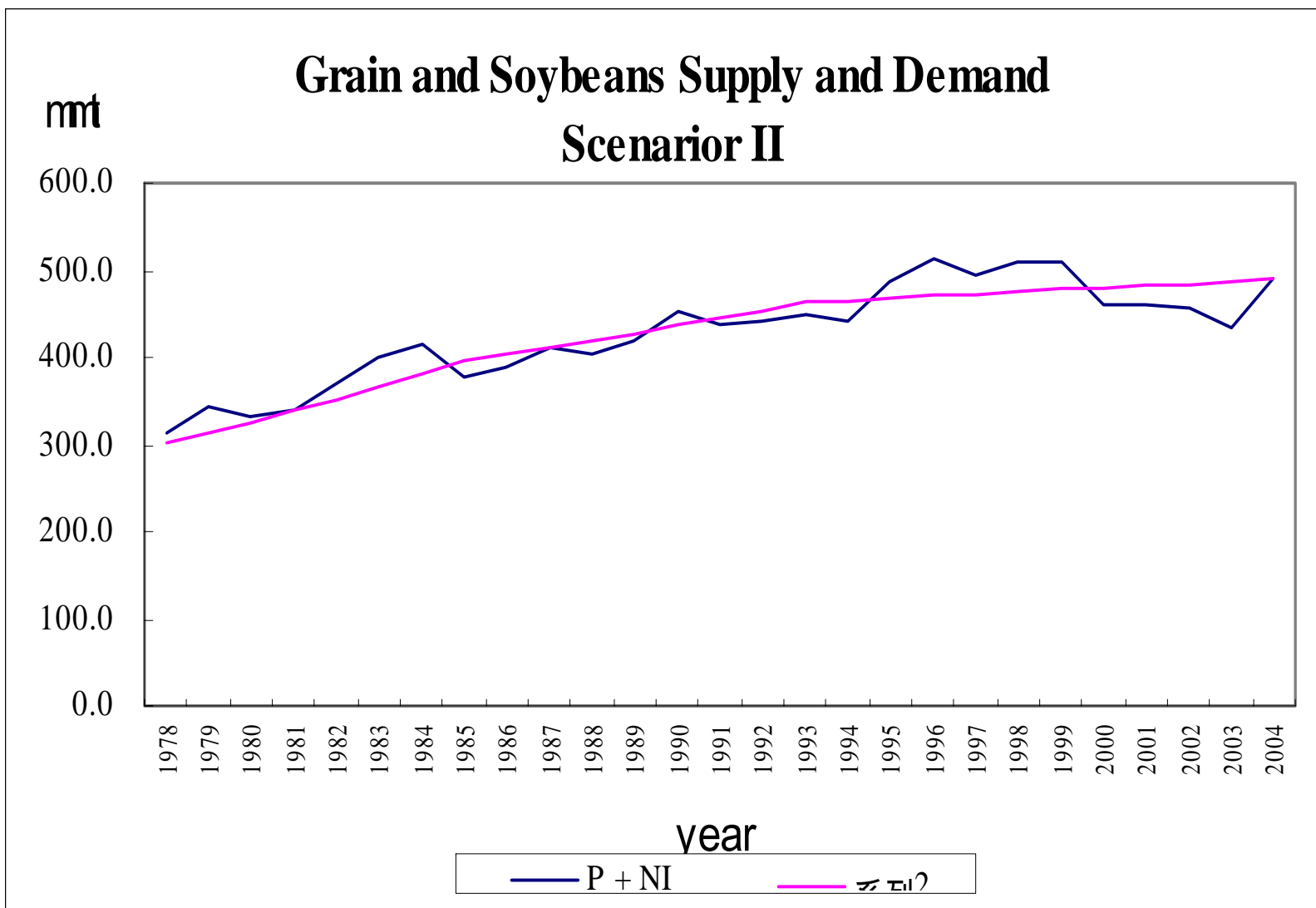
Role of Reserve Stocks



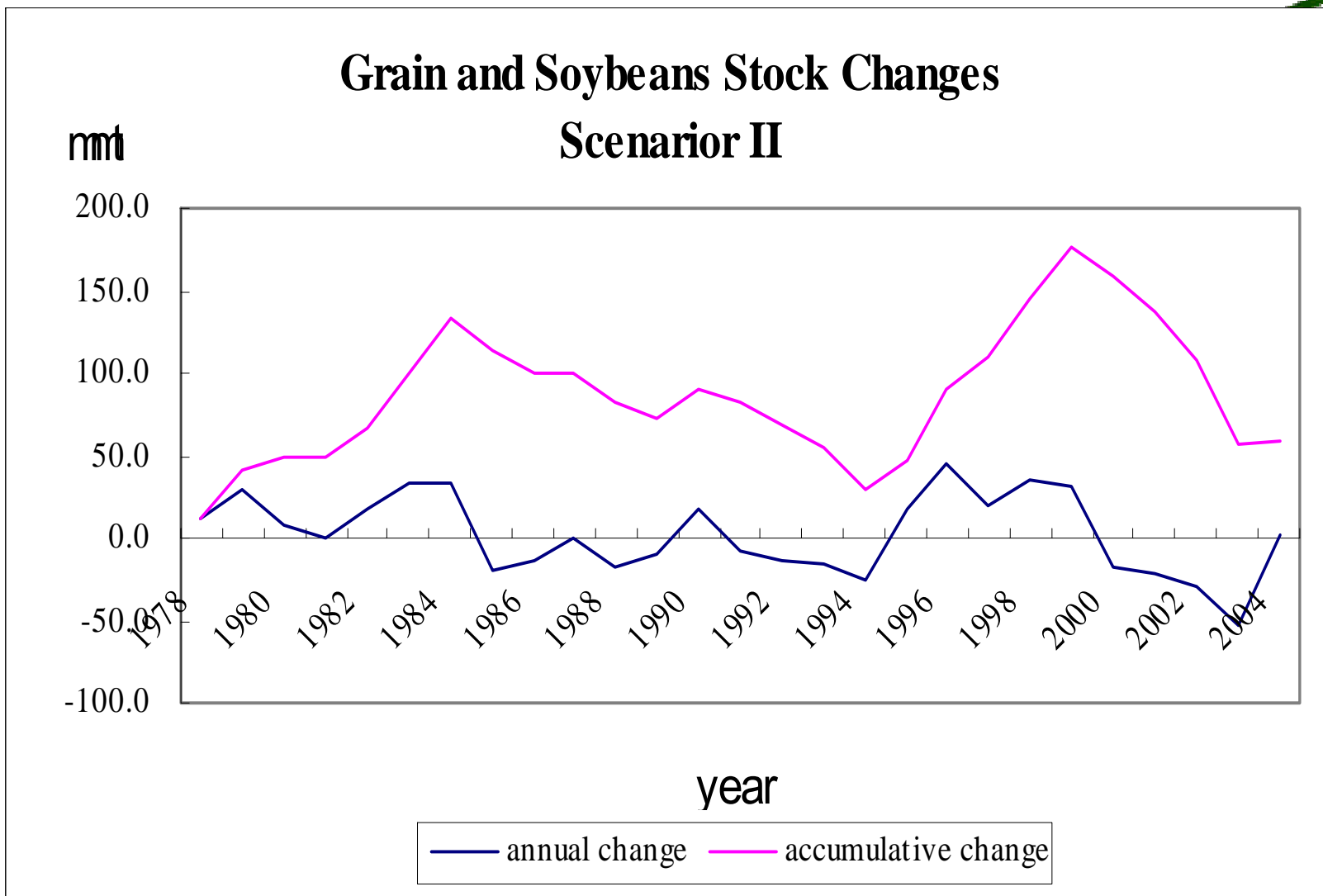
Role of Reserve Stocks



Role of Reserve Stocks



Role of Reserve Stocks



Prospects for 2005 & Beyond

- ★ **Prospects for 2005**

 - Production may increase by 10 mmt**

- ★ **Scenario I**

 - Consumption may increase by 5 mmt**

 - Imports may increase by 6 mmt, if no further change in stocks**

- ★ **Scenario II**

 - Consumption may increase by 2.5 mmt**

 - Imports may decrease by 10 mmt, if no further change in stocks**



Prospects for 2005 & Beyond

★ Prospects for 2005

2004 Imports:

wheat 8 mmt; soybeans 19.5 mmt; rice 1 mmt

2004 Exports:

corn 4.5 mmt

2005 Imports:

wheat 2-3 mmt, as winter wheat area has increased by 1.5 million ha.



Prospects for 2005 & Beyond

★ **Factors Stimulating Grain Production in 2004 & 2005**

Price surge since Oct./Nov. 2003;

Direct payment to grain producers;

Deduction/elimination of agricultural tax;

Subsidy to purchases of farm inputs



Prospects for 2005 & Beyond

★ Prospects for the Future

Production increases by 10 mmt every year?

Market prices have stabilized, and may decrease in the future under freer trade;

Agricultural tax eliminated, is the quantity of direct payment going to increase by several times shortly and continuously afterwards?

What will contribute by public investment in agricultural R&D?

Consumption increases by 5 mmt or more?

Population growth, age structure, employment structure, income growth, income distribution, social security programs?



Thanks!

