

培养引领中国未来发展的健康力量

CULTIVATING THE HEALTHY POWER LEADING THE FUTURE OF CHINA

China's Food Policy Transition: Retrospect and Prospect

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Outline

- I. Past: Development history and evolution characteristics of China's food policy**
- II. Present: Prominent problems and present reform**
- III. Future: Stimulation, tendency and business opportunities**



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What did we do in the past?

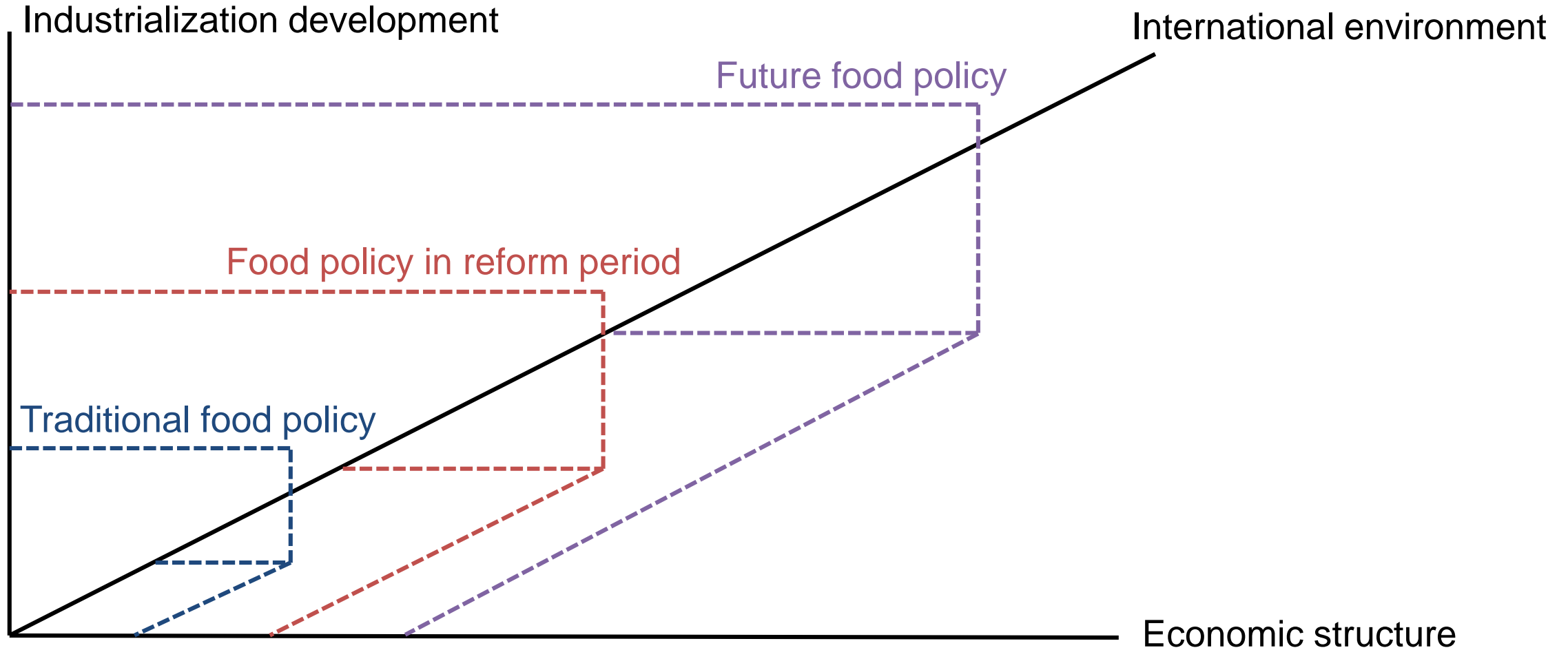


Time	Food policy
1978-1984	<ul style="list-style-type: none">• Deregulation of the Unified Purchase and Sale System on grain• Transition from a centrally planned economy toward a market based economy
1985-1992	<ul style="list-style-type: none">• Canceling the Unified Purchase and Sale System on grain• Order and purchase grains by contracts• Government's grain procurement coexisted with market circulation• Protective Price
1993-2003	<ul style="list-style-type: none">• Market-oriented operation mechanism under macro control• Reform of grain circulation system(1994)• System of provincial governor's assuming responsibility for production(1995)
From 2004	<ul style="list-style-type: none">• Prices determined by supply and demand• Direct subsidies



Evolution characteristics of China's grain market

- The development process was driven mainly by government and grain production were closely relevant with reform progress.
- Grain market experienced the alteration from shortage to equilibrium of supply and demand and the price formation evolved from government-oriented price to market-oriented price.
- Grain production per capita experienced the evolution of “insufficiency, basic survival, well-off life” process.



A simple analytical framework of China's Food Policy



- Grain economy is a subsystem of the national economy. Economic structure, industrialization development and international environment are the boundaries of the choices of food policy.
- Policy is the result of interaction and reciprocity of different interest groups in pursuit of their own interests.
- The nature of fluctuations is redistribution of interest groups which is dominated by the central government.



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What are we doing now?



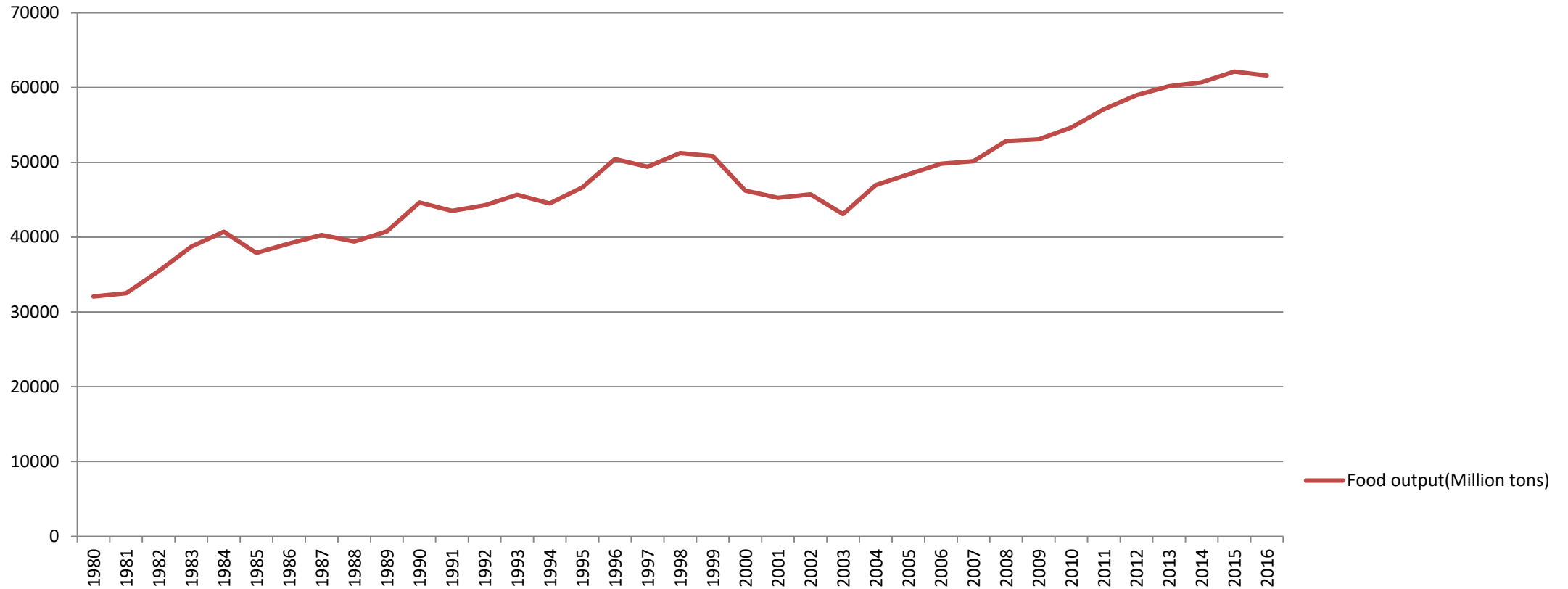
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CURRENT STATUS



Food Total Output in China



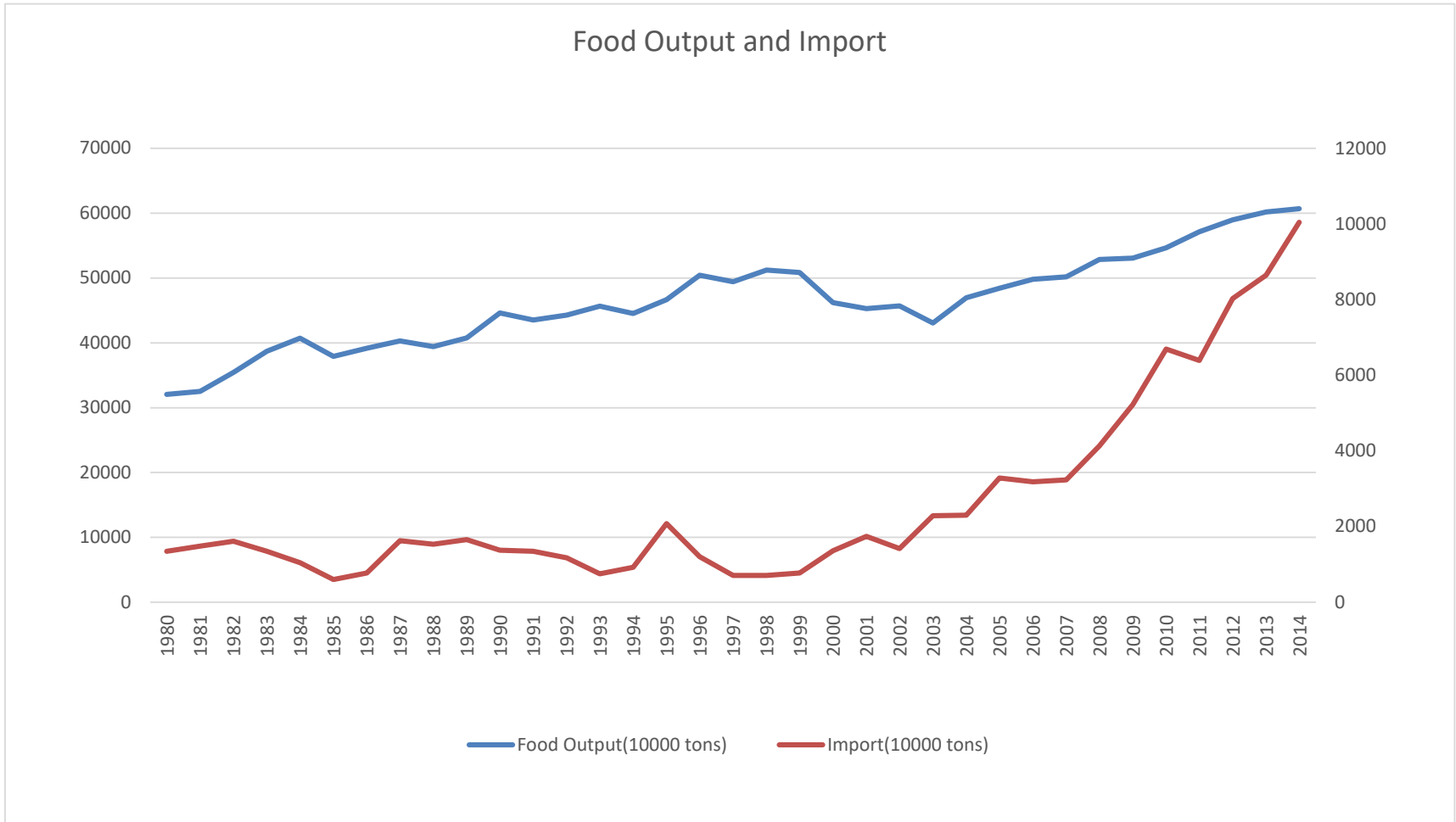
Data source: FAO



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However, In 2015, after achieving grain production continually increasing for 12 years, China have to face some hidden problems in the grain area, such as the grain supply had been being in a structural tight balance, the grain prices continually running high and the yield sustaining underpowered.

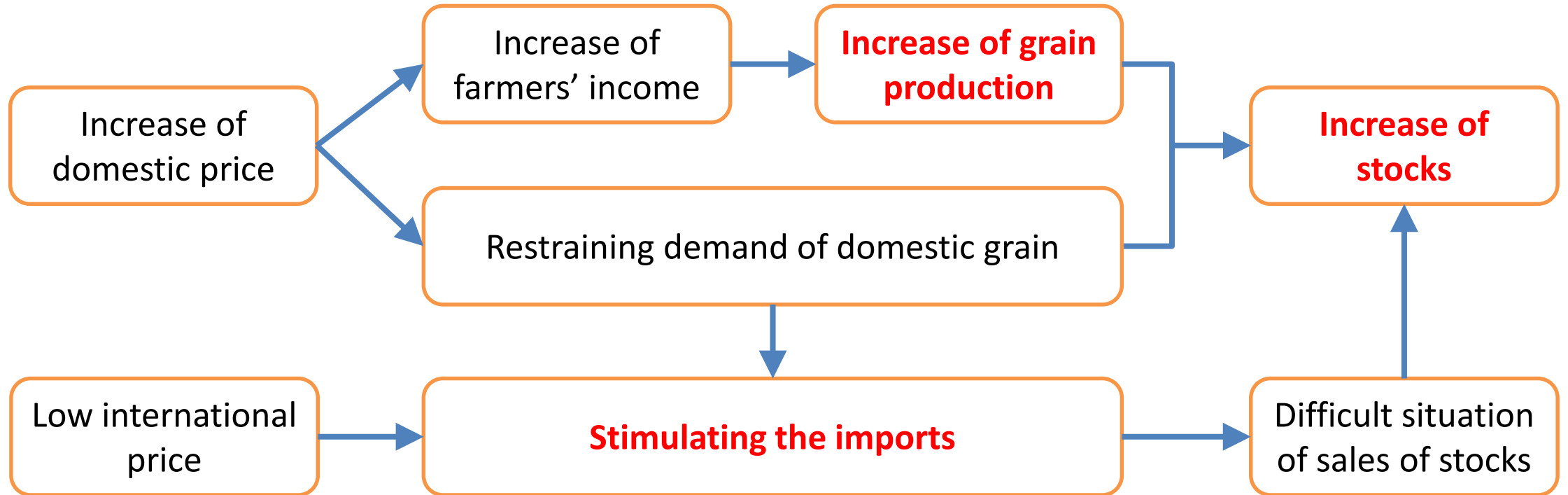


The prominent problem is that grain production, imports and stocks increased at the same time.

Data source: World Bank



Why?





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STRATEGIES



China's Supply side reforms of agriculture

Core issues :

- To improve the overall efficiency of agriculture
- To boost the international competitiveness of agricultural products



Three aspects of the field of agriculture of supply side reforms

- One is to form new agricultural business entities which is adapt to the requirements of the market economy and vibrant.



- The second is through structural adjustment to achieve cost reduction and short board in agricultural fields and reform to form high efficiency of new agricultural enterprises and new agricultural social service system.



- The third is to form food industry with international competitiveness, straighten out the grain price mechanism, design and price of grain subsidy policy, and establish new food security view.



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What shall we do in the future?



New challenges

Supply side	<ul style="list-style-type: none">• rising cost of labor• Limited water and land resources and increasing pressure of environment• Slow pace of agricultural technological progress
Demand side	<ul style="list-style-type: none">• Increase of per capita meat consumption• Increase of feed grain demand
International side	<ul style="list-style-type: none">• Fluctuation of supply and demand in the international market• Prices of the international market will affect the stability of the domestic market• Higher Domestic price than the international price



New favorable factors

- The growth rate of Chinese population has slowed down and aggregate demand for rice and wheat are decreasing.
- Financial incomes of government and foreign exchange reserves have been greatly improved, which enhanced our ability to import.
- The environment for China's international political and trade negotiations has improved significantly.
-



Simulation and prediction in the long run

- The change of supply and demand in China in 2020 (Huang J. et al., 2012)

Scenario	Relative parameters
Benchmark scenario	assume that China's annual growth rate of GDP was 8%, the average annual growth rate of population was 0.5%
High economic growth rate scenario	assume that the domestic economic growth rate increased by 10% which is 8.8%, other assumptions are consistent with the benchmark scheme
High technology development rate scenario	assume that the rate of technological progress increased by 10%, other assumptions and benchmark consistent scheme.



Scenario	Results
Benchmark scenario	China's grain demand growth will higher than the increase in supply, food self-sufficiency rate will decline, the self-sufficiency rate of China's grain is 87% in 2020
High economic growth rate scenario	due to the further increase in grain demand, China's grain self-sufficiency rate will decline further
High technology development rate scenario	due to technology advancement, China's grain will be higher than the benchmark scenario, domestic food self-sufficiency rate will increase significantly



The tendency of food policy in China

- Keeping certain food self-sufficient rate and appropriately relying on the international market to regulate will be the best strategy for China.



The tendency of food policy in China

■ Domestic side

- Two transformations:
 - from the “grain security” to “food security” (Jan. 2015)
 - from the “food security” to “food safety”
- The supply side reform



The tendency of food policy in China

■ International side

- participate in global and regional food safety governance mechanism construction (FAO, G20, APEC, AIIB and the Belt and Road Initiative)
- promote technology transfer to improve grain productivity
- help the development of agriculture in other developing countries to ease the contradiction between supply and demand in the international market



The business opportunities for the whole world

- the grain supply: a structural tight balance
- a net importer for a long period
- Chinese agricultural enterprises are involved into various risks, due to lack of natural resources, increasing costs and trade barriers
- overseas investment strategy called “Going Abroad”
- Agricultural Foreign Direct Investment



Benefits of FDI for host countries

- Increase of employment
- Improve the market access ability of agricultural products
- Generate demand for local products and services
- Agricultural technological progress
- Infrastructure improvements
- Generate new business opportunities in the local market
- Inspire innovation

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THANK YOU!



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