

Policy Pennings by Dr. Daryll E. Ray

China: Will they or won't they?

One of the perennial unanswered questions in agricultural trade is, "What are China's intentions?" Will China become a major importer of grains and seeds or will it seek to continue its record of relative agricultural self-sufficiency? This question has generated additional consideration since China's accession to the World Trade Organization and the anticipated opening of its markets to world trade.

A June 1, 2004, the Guardian Unlimited headline proclaims "Lula seals deal to feed China's cities with Brazilian soy in return for infrastructure investment." The article notes that Brazilian president, Luiz Inacio Lula da Silva, and a delegation of over 450 political and business leaders met with Chinese officials to ink a number of trade deals designed to benefit both countries. While the details of the negotiations were not spelled out, it is clear that Brazil intends to pay for Chinese infrastructure investments with exports of iron ore, uranium and soybeans.

On the same day, I read a report in "Doane's Agricultural Report" giving highlights of the 2004 World Agricultural Forum. One of the highlights focused on China and what was reported as its changed definition of agricultural self-sufficiency. In the past, China's goal of self-sufficiency has focused on domestically producing all of the food it consumes. The new definition defines self-sufficiency as the "combination of domestic production and export earnings from high-value fruit and vegetable production." It has been argued that China, with its low labor costs, would be better off concentrating its efforts in labor intensive crops like fruits and vegetables, importing land extensive crops like grains and seeds.

Both of these news items are consistent with the stories and largely unrealized projections we have seen since at least the time of the adoption of the 1996 Farm Bill. For nearly ten years these projections have shown ever-increasing imports by China. In the past, the rationale was not adjustment shifts brought about by WTO, but the need for imported grains to feed animals to provide a growing middle class with meat.

On the other hand, in May the USDA revised its estimate for China's corn stocks for the second time in less than four years. Once again the level of grain stocks was increased to account for China's continued corn exports. Without the revision, China would have been exporting corn that USDA estimates said it didn't have.

While I was thinking about these issues, I learned about some research being conducted by Yu Zhang, one of our graduate students here at the University of Tennessee. She found a 2003 survey of the attitudes of Chinese consumers toward the issue of self-sufficiency (Food Security Module China). Almost every Chinese believes in food security that is based on self-sufficiency. Zero percent of the urban respondents said they wanted China to rely on food imports. Similarly only 3.3% of rural residents indicated that they would be comfortable relying on imports. Zhang said that food self-sufficiency is deeply imbedded in Chinese culture going back centuries, if not a millennium or more.

The feelings of Chinese consumers are reflected in the comments that Zhou Ming Chen, Chairman of the China National Cereals, Oils, and Foodstuffs Import and Export Corp., made in a presentation on February 17, 2004 in Washington D.C. In that address he said "China attaches great importance to agricultural development and increasing the income of farmers. It is inconceivable that a country of 1.3 billion people will rely on others to feed themselves."

This commitment to self-sufficiency was fleshed out with China's launch a new agricultural policy at the beginning of 2004.. This "Number One Central Government Document" comes 18 years after the last number one agricultural policy. The policy commits significant funds to increasing farmers' income and living standards and ensuring food security. The document calls for increased agricultural research, increased mechanization of Chinese agriculture, support of rural incomes, the availability of capital and credit in rural areas, and policies to support grain production and processing.

Only time will tell whether China will live up to the expectations of those anticipating agricultural prosperity based on large exports to China or continue its centuries-long commitment to agricultural self-sufficiency.

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Originally published in *MidAmerica Farmer Grower*, Vol. 21, No. 23, June 4, 2004
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