

# CHINA

China is the largest producer and consumer of agricultural products in the world. It ranks # 1 in the production of paddy rice, cotton, wheat, pork, vegetables, rapeseed, groundnuts and apples. It is the world's largest consumer of wheat, rice, corn, cotton, pork, oilseeds, and vegetable oils. China is also a major exporter and importer of agricultural products, accounting for more than \$60 billion per year.

Historically, China has pursued food security and grain self-sufficiency objectives. The government of China (GOC) has often resisted the implementation of policies that could discourage production of strategic foods. Currently, Chinese food security policy is primarily focused on maintaining self-sufficiency in rice, wheat, corn, and tubers. Soybeans and cotton are no longer part of this group. As part of its Mid-Long\_Term National Grain Security Plan (2008-2020), the GOC will maintain its grain self-sufficiency rate at above 95% through 2020.

This grain self-sufficiency objective is implemented using direct payments, seed subsidies, tariff rate quotas, and price support programs (for rice and wheat), subsidies for farm machinery, and subsidies for farm use of fuel and fertilizers. In recent years, these programs have expanded and in 2008 nearly doubled to \$15.1 B from \$7.6 B in 2007.

## Grain Government Support Programs in 2005-2008 (in million \$)

	Direct Payment	Seed Subsidy	Machinery Subsidy	Fuel/Fertilizer Subsidy	Total
2008	2,221	1,775	588	9,382	15,126
2007	2,221	979	294	4,059	7,553
2006	2,088	603	88	1,838	4,618
2005	1,941	574	44	-	2,559

Note: 2007, 2008 seed subsidy covers soybean, rice, wheat, corn, rapeseed, and cotton.

Exchange rate: 1\$=6.8

RMB.

Source: GAIN CH9013

Overall, China provides agricultural support at both the central and local government levels, and in 2007 provided \$43.44 billion to support agricultural and rural development. China does not directly provide export subsidies for corn, rice, and wheat, but offers other programs intended to boost exports. These include subsidies of sales from government held reserves, waivers for transportation taxes, subsidies for port fees, and rebates of the value added tax for corn, rice, and wheat exports. Grains seeds are developed and produced mostly by state-owned and funded research facilities. The distribution of seeds is coordinated by local officials with most grains seeds sold at subsidized prices.

## CORN AND SORGHUM

- Both central and provincial governments subsidize the fuel-ethanol sector. The 2008/09 floor price for corn is \$14.7/metric ton.
- China's TRQ in corn has a quota of 7.2 MMT (283 million bu). It requires 60% to be traded by state-owned companies.
- Corn imports require a bio-safety certificate and quarantine permits. To import new commodities, a pest risk assessment is required.
- Sorghum is not considered an important feed grain and has no crop production assistance.

## COTTON

- The Agriculture Development Bank of China (ADBC) provides loans with favorable terms to cotton purchasers; in 2007, the ADBC provided a record US\$7.7 billion for this program.
- China is changing its cotton classification system to be more consistent with international standards and \$9.76 million was spent to subsidize gins to upgrade equipment in 2005.
- The government is establishing production bases and seed projects in Xinjiang province and China's Agricultural Bank is providing \$4 billion in loans to the Shanxi province for agricultural product development, with \$25 million for provincial sales of cotton and to develop several local spot markets. Starting in 2007, the Ministry of Agriculture appropriated \$72 million (500 million yuan) to cotton planting seed companies to subsidize "high quality varieties" at \$32 per hectare.
- China uses a Tariff Rate Quota (TRQ) system, with tariffs rates ranging from 5% to 40% on cotton imports above the current quota amount of 894,000 MT (about 4 million bales), which maintains the domestic cotton price higher than cotton in the international market.
- In November, 2008, the General Administration of Quality Supervision, Inspection and Quarantine strengthened management and supervision of the inspection and quarantine of imported cotton.
- In 2009, the government allocated funds for financial support and insurance services to small and medium-sized textile plants, intended to phase out obsolete capacity, update equipment and technology, and encourage textile and garment makers to relocate from southeastern parts of China to central and western areas. In addition, China will increase the tax rebate for textile and garment exports from its current rate of 14-15% and make funds available for companies that produce or operate in the textile industry, to upgrade technology, and develop domestic brands.

## RICE

- The government guarantees farmers a minimum price for rice. If prices drop below that floor, the government purchases and stores it, which may be sold at auction. In January 2009, the National Development and Reform Commission (NDRC), increased the floor price for rice for MY 2009/10; they now stand at \$264/MT for Early Indica and \$278/MT for Japonica.
- The government will continue to provide transport subsidy to rice in the northeast to be shipped to the southern provinces; in the southern rice-producing provinces, it will purchase rice at \$274/metric ton to replenish the state reserve.
- China uses a TRQ for rice, with 50% traded by state owned companies. The quota was 5.3 MMT in 2008.

## SOYBEANS

- The government pays \$20 to \$25/ha (\$8-\$10/ac) in seed and agricultural machinery subsidies to soybean farmers, particularly in the Northeast provinces.
- The government offers \$540/metric ton to purchase soybeans for the state reserve.
- China allows the importation of genetically modified soybeans but its farmers cannot legally plant them.
- The import duty on yellow soybeans is 3%.

## SUGAR

- At the beginning of each marketing year, provincial governments in the southern sugar cane production region announce a pre-set purchase price on cane. If the sugar price increases during the marketing year, the sugar mills may pay contracted cane farmers a bonus. In January 2008, The purchase price was fixed at \$515/ton.
- The TRQ quota for CY2008 was 1.95 MMT (43 million cwt) with a within-quota-tariff of 15% and out-of-quota rate of 50%. About 30% of the quota (585,000 MT or 13 million lbs) is reserved for non-state trading enterprises and 70% is assigned to state trading enterprises.

## WHEAT

- Beginning in 2009, floor prices for white wheat, red wheat and mixed wheat were raised to \$254, \$242 and \$248/MT, respectively.
- China has a seed subsidy program for wheat with funding through the Ministry of Agriculture and implementation at the provincial level. In some provinces, seed companies are provided funding, and, in turn, make seed available at discounted prices. In other provinces, farmers are provided funding to purchase seed, but without monitoring purchases, so the subsidy is more consistent with direct income support.
- China imposed a 25% tax on exports of wheat and wheat flour in 2007/08.
- China has a TRQ in wheat, with a total quota of 9.6MMT (350 million bu). It requires 90% to be traded by a state-owned company.