

China's Role in International Agricultural Markets

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Overview

- ★ China is world's largest agric. economy;
- ★ After joining WTO in 2001, China was expected to play greater role in the world agric. trade;
- ★ But food self-sufficiency has been a policy priority for decades;
- ★ It is time to make an early assessment of the impacts of China's WTO membership.

China's WTO Commitments & Compliance

• Commitments

- Tariffs cut
- TRQs: for wheat, corn, rice, sugar, cotton, & wool;
- Cap domestic support: 8.5% of value of production;
- Reduce role of State Trading
- Reduce export subsidies
- Abide by plant/quarantine rules

• Compliance

- Tariff cut: from 17.9% in 2001 to 15.2% in 2010;
- Domestic support: below the cap.

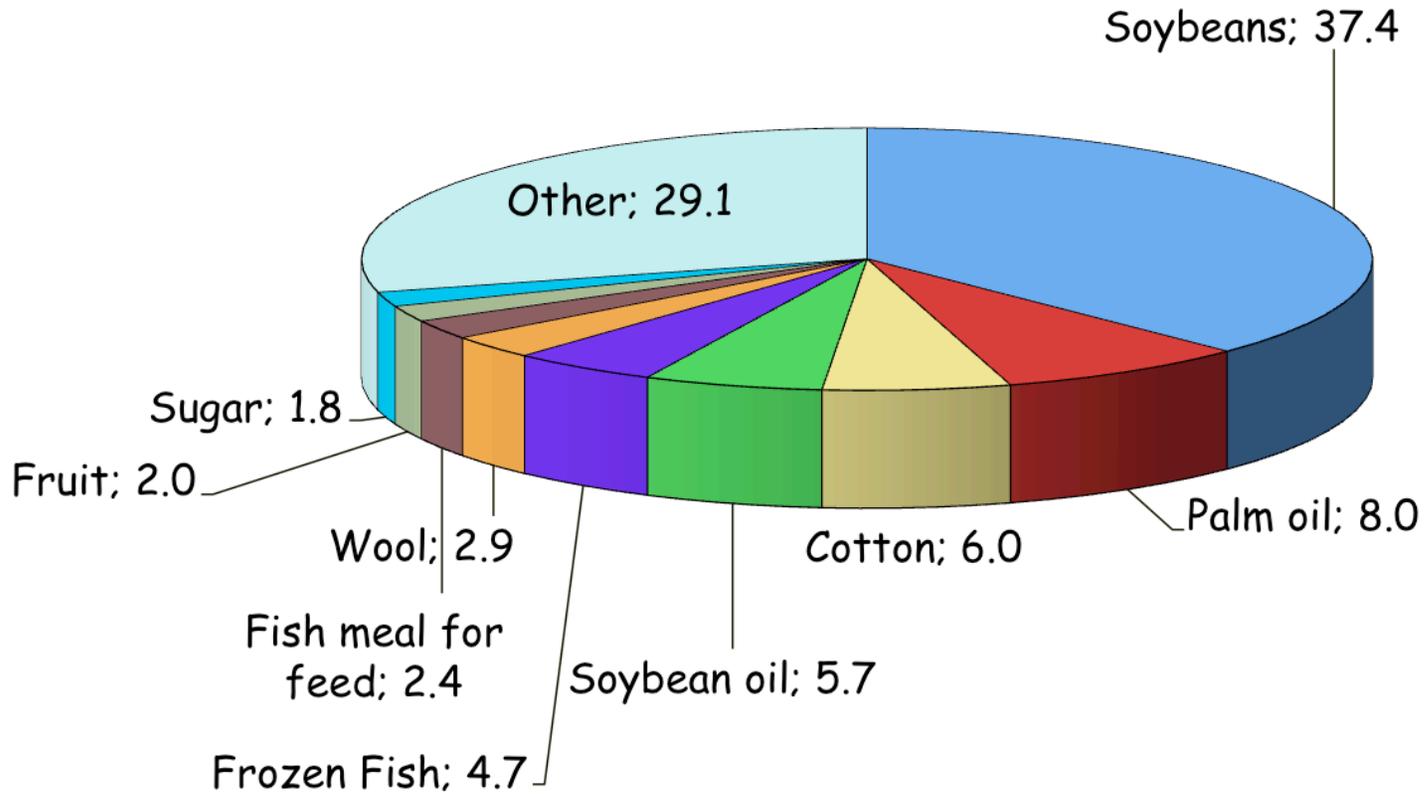
• Export control on grain products in 2007-08

- Indicates continued focus on domestic food security.

Importance as Trader Has Grown

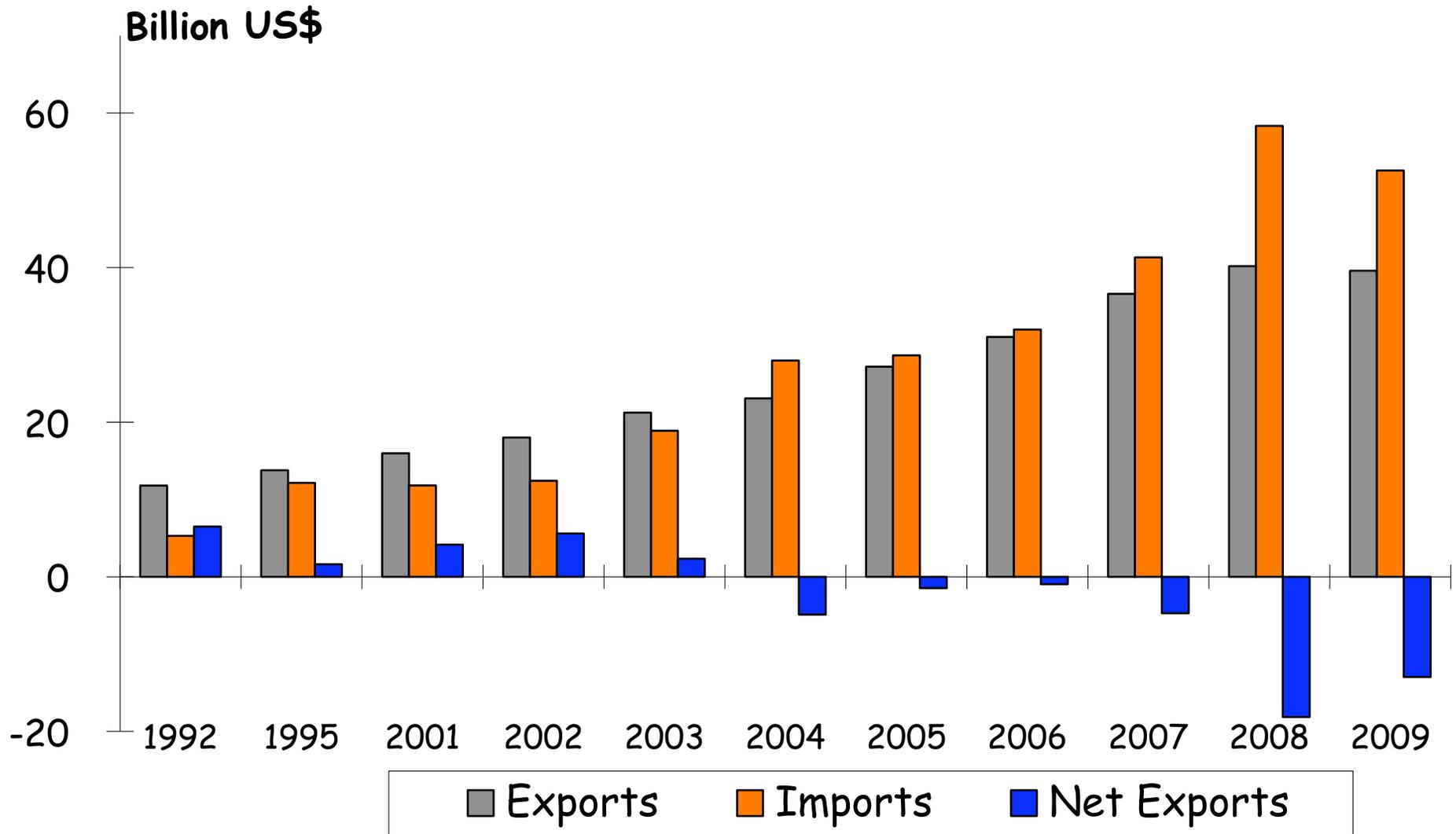
- ★ China is 4th largest U.S. Ag export market. Leading exports are soybeans (\$7.3 B), cotton (\$1.6 B), & hides and skins (\$0.86 B).
- ★ China is 3rd largest supplier of U.S. Ag imports. Processed fruits/vegs (\$813 M), fruit & veg juices (\$677 M), snack foods (\$186 M), & tree nuts (\$103 M).
- ★ China: 3.2% of global agric. exports & 6.1% of agric. imports.
- ★ World's 5th largest agric. exporter & 3rd largest importer.

Make-Up of China's Agricultural Imports (%): 2008



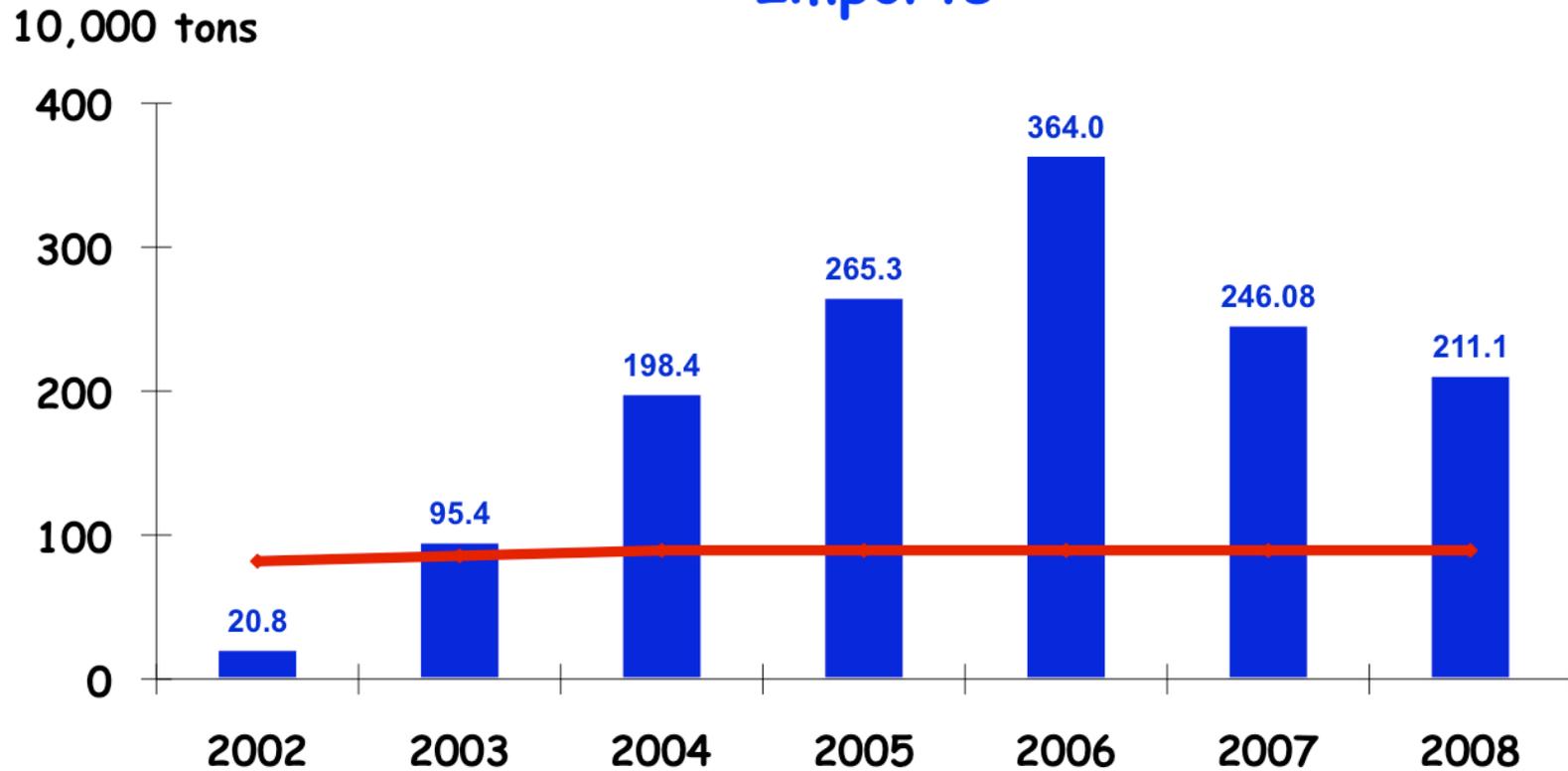
Source: China's Customs Statistics. DRC.

China's position in world agric trade has reversed



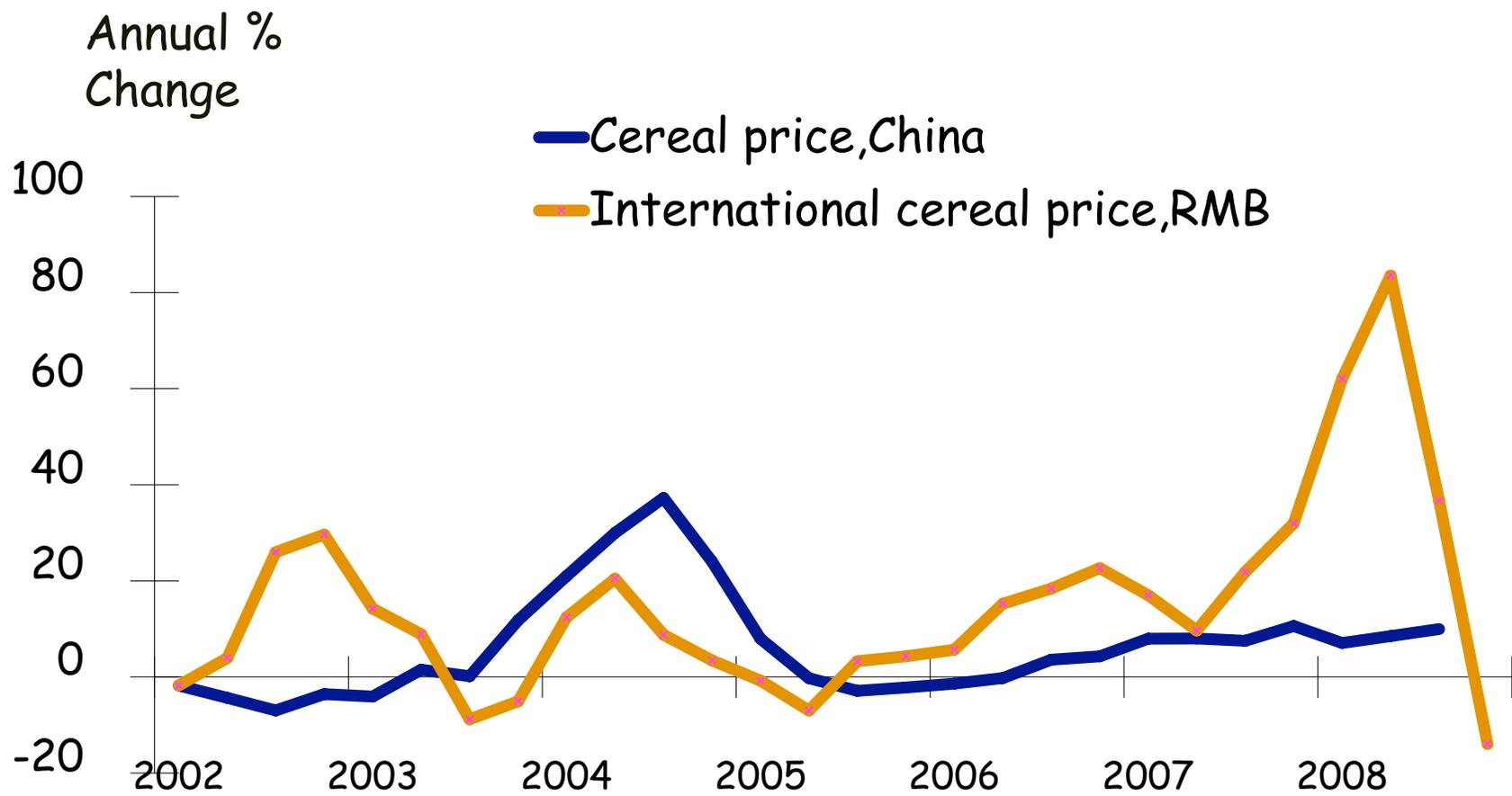
Source: China's Customs Statistics. DRC.

Cotton: Tariff Rate Quota and Actual Imports



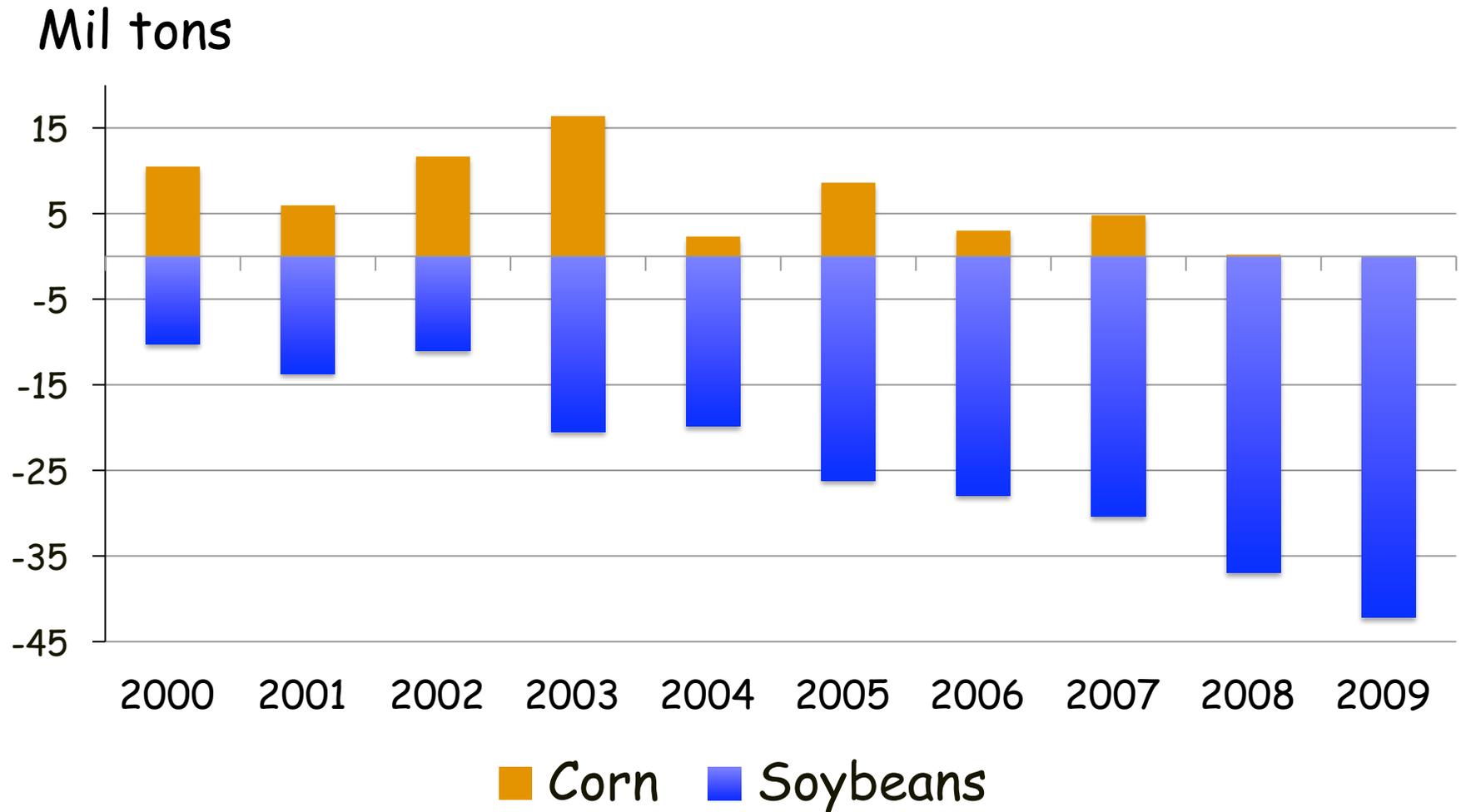
Source: China's Customs Statistics.

Food Security Objective Unaffected by WTO Accession



Source: Carter et. al. Eurochoices, 2009.

China remains a net exporter of corn & soybean imports growing



Note: Negative number indicates net imports. Source: China's Customs Statistics

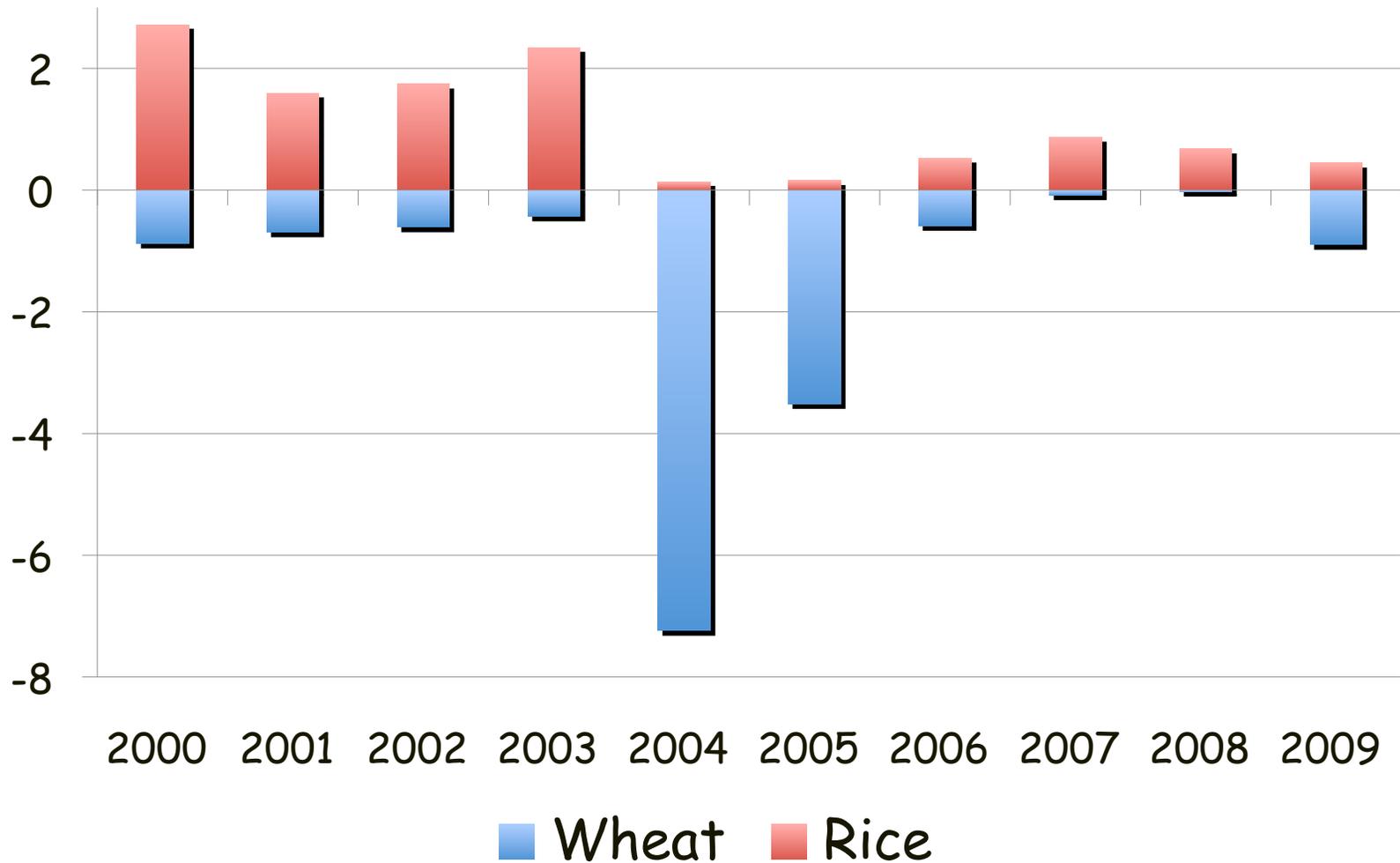
Average Crop Yields; 1997-2007 (mt/ha)

	Rice	Wheat	Corn	Soybeans
World	3.94	2.72	4.52	2.26
U.S.	7.25	2.76	8.84	2.64
China	6.25	4.06	4.96	1.74

Source: USDA

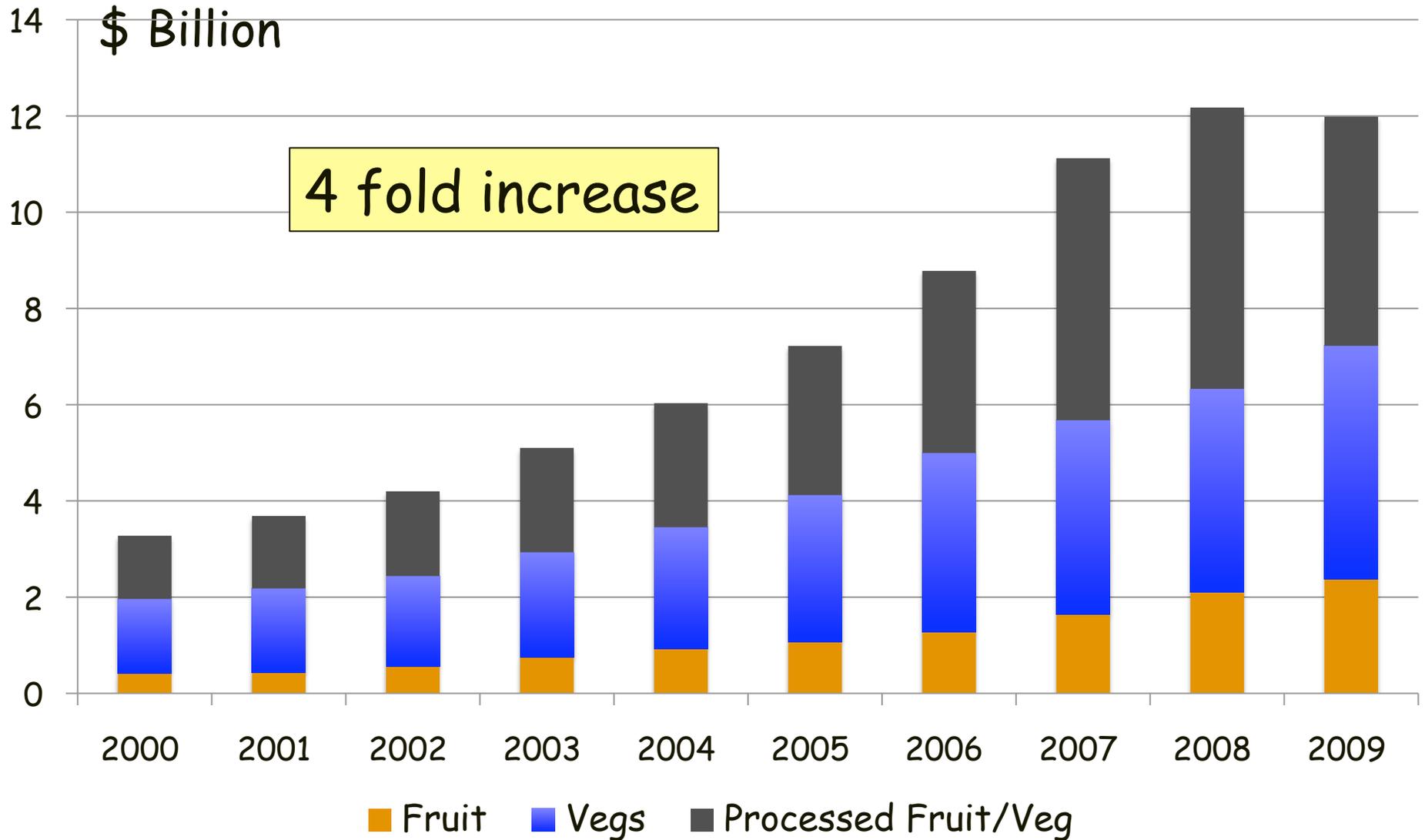
China remains a net exporter of rice. Wheat trade is erratic

Mil tons



Note: Negative number indicates net imports. Source: China's Customs Statistics

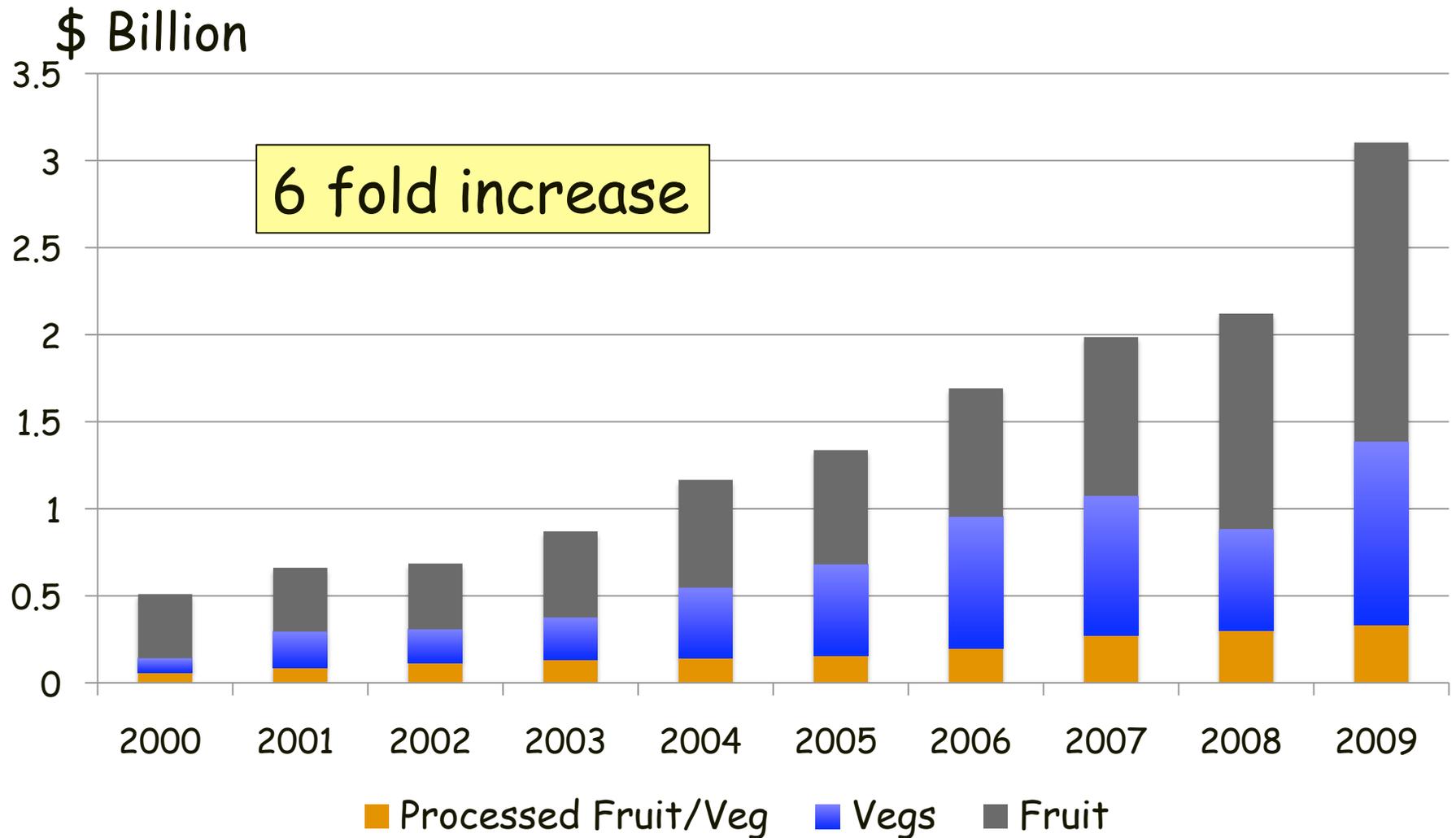
China's Horticultural Exports Have Grown



Source: China's Customs Statistics. DRC.

Note: Includes HS Codes 07, 08 & 20.

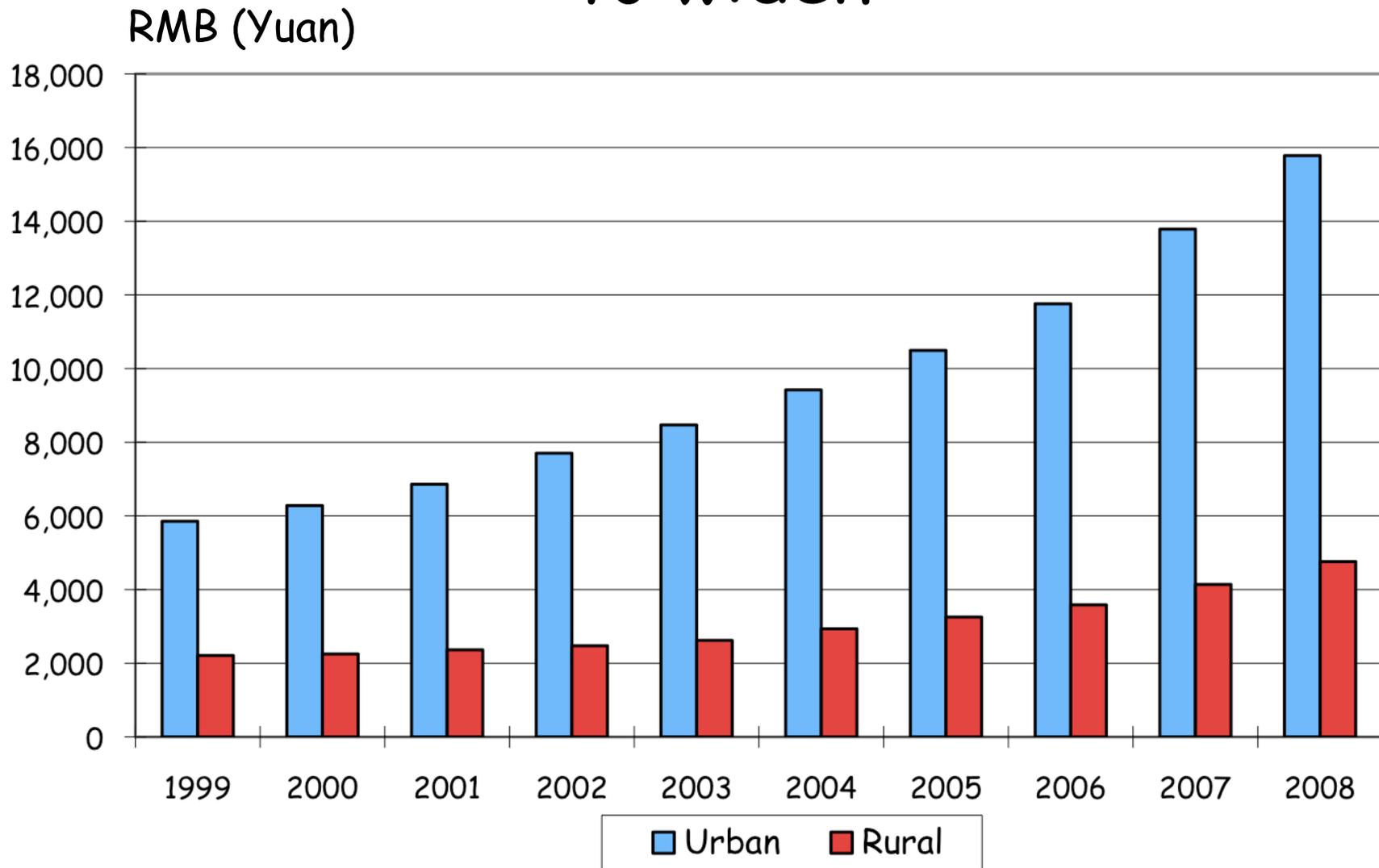
But so have Horticultural Imports



Source: China's Customs Statistics. DRC.

Note: Includes HS Codes 07, 08 & 20.

Rural urban income gap continues to widen



Source: China Statistical Yearbook

Low Ag. Productivity

- China's farmers make up almost 40% of the national labor force but produce less than 11% of the GDP.
- Labor productivity in agric. $< 1/4^{\text{th}}$ that of industry & $< 1/3^{\text{rd}}$ of that in service sector.
- Labor does not move freely between rural & urban employment.

Conclusions

- Real gains from liberalization of China's agric. have not yet been fully realized.
- China's agric. trade only loosely corresponds to comparative advantage principles.
- Grain security is still center of gov't policy.
- Weak food safety regulations have undermined confidence in China's exports.

Conclusions

- China will remain as a major importer of bulk agric. commodities.
- If yield difference is considered, imports of edible oils equals 30% of domestic grain sown area.
- Subsidies have increased, but remain relatively low & the impact on production is not huge.
- GM corn, soybeans & rice would immediately boost productivity, through higher yields and reduced farm costs.