

# China tells USDA forum: We need food self-sufficiency, not 'free markets'

*On Feb. 22-23, a delegation of Chinese agriculture officials participated as guests in the 75th annual U.S. Department of Agriculture Agricultural Outlook Forum, in Arlington, Virginia. During the more than 30 plenary sessions and panels, the perspective they provided on China's agricultural development plans and achievements, presented a stark contrast to the otherwise prevalent view that globalized mega-companies must have "free market" rights over and above nations—even in circumstances of acute farm crisis and economic breakdown, which was documented at the conference to be occurring in the United States and many other parts of the world.*

*Here we provide excerpts of the speech given on Feb. 23 by Min Yaoling, Director General, Market and Economic Information Department, Chinese Ministry of Agriculture. He was accompanied at the conference by two colleagues from the Ministry of Agriculture, and a three-person delegation headed by Zhu Xiangdong, from the State Statistical Bureau.*

*Min spoke second on a panel entitled "Prospects for China: Importer or Competitor," where he showed that China's development plans make it neither one. Min's perspective specifically contrasted with the panel's opening speaker, Scott D. Rozelle, Associate Professor at the University of California at Davis, who presented his economic model and projections that China will be import-dependent for grain as of 2010, by around 28-30 million metric tons. Min said, not so.*

*In the question period, Rozelle said that if China insists on pursuing food self-sufficiency, then it should at least open up to foreign sources of inputs, recognizing "intellectual property rights" of foreign companies to seeds, agriculture chemicals, and so on. Cargill and other grain cartel representatives took issue with Min, who reiterated China's commitment to maintaining its sovereignty over food and farm policies. (Rozelle's speech is available in print and audio from the USDA.)*

*EIR transcribed Min's speech, and part of the panel's question-and-answer period. It has been slightly edited, and subheads have been added.—Marcia Merry Baker*

## **China Ministry of Agriculture viewpoint**

China has a population of 1.2 billion, and is a large producing and consuming country of agricultural products. What is the agriculture situation in China in the future? How are the farmers' income, and living? All these have direct bearing on

the overall situation of China's economic reform, development, and social stability. This is also an issue of common concern.

The reform of agriculture started in 1978, and has achieved great progress. The efficiency of the system, and the years of cumulative construction, resulted in the obvious increase of agriculture comprehensive production capacity, and brought the development of agriculture and rural economic development into a new stage. The supply of, and the demand for major agriculture products have become generally balanced. In the years of good harvest, there even has been a surplus. For the 20 years between 1978 and 1997, the average annual rate of development of China's agriculture was 6.7%. In 1997, the total production of grain, cotton, oils, and sugar increased, respectively, by 62%, 110%, 310%, and 290%, compared with 1978. These not only ensured the market supply, and enriched the vegetable basket program, in double digits, but also made important contribution to the continuous rate of development of the national economy, and the control of inflation.

The annual growth rate of grain production was 2.7%, which is much more than that of population. The per-capita farmers' net income increased from 134 yuan-renminbi (the Chinese currency) [in 1978], to 290 yuan-renminbi in 1997, with a growth rate of 8.1%. The farmers' life has been improved, obviously.

In 1998, though influenced by the huge flood disasters and the financial crisis in Asia, China's agriculture and rural economy maintained a momentum of stable development. Total grain production is estimated to be more than 490 million tons, equal to the amount of 1997. The production of cotton amounted to 4.33 million tons, which is a decrease of 5.9%. Oil crops amounted to 22.65 million tons, which is an increase of 5%. The production of sugar, aquatic products, vegetables, and other economic crops also increased, and structure was slightly optimized. The production of meat and aquatic products grew steadily. The added value of township enterprises increased by 17.5% over the year before, absorbing an additional 3 million into the agriculture labor force. It is estimated that farmers' net income will grow by 4%.

## **Current constraints**

At present, the development of agriculture in China is also facing some serious constraints. The previous constraint for



*V20A hybrid rice developed by the Hunan Hybrid Rice Research Center. China refuses to put itself at the mercy of the international food cartels, and plans to be at least 95% food self-sufficient—a matter it considers vital to its national security.*

agriculture development was only resources. Now, agriculture development faces two limits: resources and markets. In recent years, the marketing channel for some agricultural products was blocked, and prices fell. On one hand, this is because of the unreasonable structure of agricultural production. Some varieties and quality of agriculture products cannot meet market demand. On the other hand, this is because of the imperfect marketing system and the blocked circulation of agriculture products. There is still much work to do in setting up a nationwide, open, competitive, and perfect-order market for agriculture products.

Second, the growth of farmers' income was slow. In 1997, the per-capita farmer's net income grew by 4.6%, which is 4.4% less than in 1996. In 1998, the growth of farmers' income continued to be less.

Third, the agriculture basic infrastructure is quite weak. Without a strong capacity to resist natural disasters, it is a heavy task to repair and re-build the infrastructure damaged

in the serious floods in 1998.

Fourth, the rural policies have not been well implemented in some places.

The third plenary session of the 15th Central Party Committee of the Communist Party of China was held in October 1998. This session especially studied the issues of agriculture and rural economy, adopted important decisions, and formulated the inter-century development objectives and principles. At present, the Chinese central government and the local governments at various levels are implementing these important decisions conscientiously.

In 1999, China's agriculture and rural economy will maintain a momentum of stable development. All the work will be based on the stable supply of agriculture products, and focus on the growth of farmers' income. Great attention will be paid to:

First, stabilizing the basic rural policies and deepening the rural reform;

Second, optimizing the agriculture structure through adjustment, and improving the quality and efficiency of agriculture products;

Third, making great efforts in the development of township enterprises and speeding up the construction of small towns and cities;

Fourth, strengthening the construction of basic agricultural infrastructure and ecological environment, and keeping a sustainable development of agriculture;

Fifth, implementing the policies of agricultural development through science and education, and pushing forward the revolution of agricultural science and technology; and

Sixth, attaching more importance to the work of poverty alleviation, and further implementation of various policies of poverty reduction.

In 1999, the Chinese government will provide guidance to farmers to follow market changes, take the quality improvement of agriculture products as the central task, and optimize the structure of agriculture products through adjustment, while ensuring the stable growth of total grain production:

First, in grain production, the varieties which are not suitable for sale will not be produced any more, and the focus will be laid on the development of the quality of rice, special wheat for processing, and quality protein content.

Second, in cotton and oil-bearing crop production, attention will be given to the stabilization of the Xinjiang cotton growing area, and the cotton-growing areas of Hubei, Shandong, Hunan, and the Yangtze River will be slightly reduced. More effort will be made to increase the unit yield and the quality of cotton, and to speeding up the development of quality rapeseed varieties.

Third, more importance will be attached to the development of livestock production. While stabilizing pig production, more attention will be paid to animal and poultry production based on grain-saving [techniques] and high conversion rates, and to herbivorous animal production.

Fourth, more attention will be paid to the development of processing, storage, fresh-keeping, and transportation of agriculture products.

And fifth, the circulation and marketing of agriculture products will be further activated. The marketing system of agriculture products, with wholesale markets as the center, will be perfected. And an information release system will be set up and standardized.

### **Improving grain supply and demand**

I would like to make a few comments on the future set-up of supply and demand of agriculture products, grain in particular, and the important export rates.

Generally speaking, the balance between grain supply and demand in China needs to be further improved. With the growth in population and upheavals in living standards, more attention should be paid to the increase in total grain production, and grain production should be diversified. Therefore, there is a long way to go before the supply can fully meet the demand.

According to the food consumption model, and the population growth trend in China, if population is close to 1.3 billion by the year 2000, the total demand will be 500 million tons, with 385 kilograms available per capita. If population gets close to 1.4 billion by the year 2010, the total demand will be 550 million tons, with 390 kg available per capita. And if population reaches the peak of 1.6 billion, total demand will be 640 million tons, with per-capita availability of 400 kg.

In grain supply, the Chinese government will take the following measures to increase total supply: increase the unit yield of existing cultivated land, retain land resources in reserve, rely on the progress of science and technology, and develop land food resources, save grain in use, etc.

As is known to all, the per-capita availability of China's agricultural resources is still at a very low level. The shortage of cultivated land and water resources is the most serious constraint in the development of agriculture. Under such resource conditions, China will have to make unswerving efforts to build up agriculture productive force much higher than the world's average level.

By relying on her own efforts in balancing the domestic supply and demand of grain, China does not exclude the use of international resources and markets as an important measure to balance the good and bad harvests, adjust varieties, and maintain circulation among regions.

Historically, China did not rely so much on international markets. From the founding of New China to the 1960s, China was a net exporter of grain. After the 1960s, China imported more grain than it exported. With the introduction of reform and the opening to the outside world in the late 1970s, the portion of net imported grain in total domestic grain production was becoming less—3.2% for 1978-84; 1.2% for 1985-90; 0.4% for 1991-95; and the same amount, 0.4%, for 1996-98.

More grain imported by China will not threaten world food security. In addition, China also exported some food for the period. The export of Chinese food in edible animals and poultry amounted to \$75.6 billion, and imports amounted to \$34 billion. Since 1995, there have been rather good harvests for China's agriculture for the past four consecutive years. Domestic supply and demand have been basically balanced, with rather abundant reserve. From a net importer, China has turned to being a net exporter of grain in 1997 and 1998. However, the amount of export is limited. Being a developing country with a large population and limited per-capita agricultural resources, China will become neither a large exporter of agriculture products, nor a big importer of agriculture products.

China is willing to develop trade in agriculture products with other countries in the world on the basis of mutual benefit.

### **China will rely on its own efforts**

Finally, I would like to make some comments on the paper of Mr. Scott. Mr. Scott, in collaboration with Mr. Jikun Huang, a doctor from the Chinese Academy of Agriculture Sciences, carried out detailed research and analysis of supply and demand, and the import and export of China's agriculture products, of grain in particular. And at the same time, in that paper, Mr. Scott and Mr. Huang also reviewed the relevant studies in this field, and by other people. And on this basis, they used a mathematical model in their prediction, and formed their comments, and reached their conclusion. It is our pleasure to join this discussion with interest.

As I have said before, China will rely on her own efforts in balancing the domestic supply and demand of grain, and the purpose of China's imports and exports is to balance the good and bad harvests, adjust the varieties, and maintain circulation between the regions.

According to the presentation by Mr. Scott, it is predicted that by 2010, China will import—the net import, will be about 28 million to 30 million tons of grain. We feel that China will not import such a big amount.

Here I would like to add one interesting point. At the beginning of the early 1980s, through the 1990s, some Chinese experts, together with some international experts, made some predictions as to the import of grain by China by the year 2000. The majority of the experts predicted that by the year 2000, China would have to import quite a lot of grain from the international market. But the present situation is that in the foreseeable one year, or two years in the future, China will not import that big an amount.

As to what kind of commodities China will import in the future, whether it is wheat, corn, or rice, we feel it is difficult to say at this moment.

I think that practical decisions have to be made according to the annual harvest, the structural changes, the demand situation, and the situation in the international market. Looking at the history and at the present situation, China imported

wheat and soybeans from the international markets, and exported maize and rice to other countries. As to Mr. Scott's conclusion, that after the year 2000 China will largely import rice and corn, we feel it is difficult to say at this moment.

As it is now, the population in China amounts to about one-fifth of the total population in the world, and grain production amounts to about one-fourth of the total in the world. So, what is the future trend of agriculture products in China, and what significant impact will the agriculture products in China make on the agriculture product trade? This is an issue of common interest. This is a hot topic, I should say, which is of interest in the past, present, and in the future, for the people in the world.

If this issue is not permanent, it is at least a hot topic, and at this moment it is very interesting to hold discussions on this issue.

So finally, I would like to extend my sincere thanks on behalf of my delegation for the opportunity given by the organizers of this meeting, and also the USDA. Because of my difficulty in speaking English, I took up too much of your time. I am sorry for that. Thank you. And I should say, Mr. Zhu Xiangdong and I would be pleased to answer your questions.

### From the question period

**Q:** I just want to thank the gentleman from China . . . for bringing us the *truth* about how your farm policy is going to be handled in the future. And, Scott, I am very disappointed in you with the numbers you are dumping on these poor people! [Laughter]

**Prof. Scott Rozelle:** First of all, if you read the paper, if you look at projections, from everywhere else in the world, you're going to find that we often get accused of being too low in our estimates of future Chinese grain imports. We are the *lowest* of any published study around, including the Economic Research Service's [ERS, a division of the USDA] model, including the World Bank's model, including the Australians, the Japanese, and the OECD [Organization for Economic Cooperation and Development], so we are by far the lowest. The other thing is, if you notice, that by 2020, under our predictions, the Chinese are only importing 5% of their grain. That's their target—their own target is 95% self-sufficiency. . . .

The other thing that needs to be noticed is that there is a *cost* to this policy. Even getting to the point you saw. Basically, to get to the point where they're meeting their target in 2020, our prediction is that they're paying way too much for their corn than they could pay if they brought it in on the international market. So, there's a big welfare cost to this policy.

And the fact is, I can absolutely agree with Dr. Min's predictions that they *won't* import as much as they say, but they're going to have to be willing to pay the cost in resources for that.

I also want to say that, I think they can also meet their target by doing one thing that *won't* require large imports, but they can supply most of their own production in the next 20 years, and that's by opening up the *inputs* market—for seeds,

for fertilizers, for pesticides, for tractors, and for stimulating private research, with joint ventures with foreign nationals and Chinese companies. This is going to be a major effort. There's—I mean, in terms of changing intellectual property rights, in changing policies for joint ventures, and for investment in agriculture and agriculture-related input industries.

So, I think that their predictions are completely valid. I would like to invite—really, what we tried to do in our paper, is to say, here is a matrix of where China might be, tell us where we're wrong. We'd like to go—to try to figure out, if we are. And so, this is a very healthy, fun type of discussion to have. So I hope, I am sure that we'll continue on this. . . .

### Cartel charges 'corruption'

**Q:** I am Dan Keefe, with the U.S. Grains Council [representative of Cargill, Archer Daniels Midland, Louis Dreyfus, Bunge, Continental, Pillsbury/Grand Metropolitan, and others in the commodities cartel], Washington, and I've been to China a few times, and the people there are very kind to welcome me, and have run similar programs as this today.

My question is for Mr. Min. Recently, we are reading a lot about how the grain bureau system and the grain merchandizing system in China is being taken advantage of. Losses have accumulated of \$30 billion for the year, due to trading losses, and other types of losses in China. You also have, you know, this corruption in the system, and you also have this water shortage problem. So, when you refer to *sustaining* your grain production system, how do you reconcile these two problems with sustaining your production to meet the total demand?

**Min:** I say, it's mentioned by the gentleman just now, that the loss of grain in all the processes, including production, and the loss in other channels, is quite large. I should say, according to the prediction by some experts, the loss is from about 10%, to sometimes 15% of total production. I think the reason for this great loss is because of the low level of mechanization being practiced in the rural areas, and also the low level of application of science and technology, and also the quality of farmers is quite poor. And I should say that, because of the big production of grain—and this is very huge, the total amount is very huge—so is the loss. It will be a very big amount.

So I should say, in meeting the food supply and demand contradiction in the future, I think more attention will have to be paid to the improvement of the science and the technology, and also to more use of mechanization of the machines and modern technology in the future, and also the improvement of the farmers' quality.

**Cargill representative:** I have a twofold question. In the news services lately, there has been very exciting news coming out about major construction projects of grain handling facilities in the interior and at the ports, to the volume of several million tons. These are very efficient, huge facilities.

What impact do you see of these storage facilities on maybe, perhaps, domestic markets, and internationally?

And the second question ties into it. It is: Do you ever see, or what probability would you assign, of China becoming a grain exporter, net exporter of all grains?

**Min:** I think as for the grain stock [storage] in China, it has been calculated in different ways. Commercially—for the commercial use, and also for a kind of reserve, for food security. But I should say, the figure of that has been changing. And the purpose of all the grain stock in China, I think, is to ensure the domestic supply of grain in China. And as to the second aspect of the question, about the future potential, the possibility of export of grain to other countries, as I have mentioned in my presentation just now, that China will not become a large exporter of grain in the future.

As I should say, that the per-capita resources in China are less than one-fourth of that in the world.

### National economic security

**Q:** I am Suzanne Rose, with *EIR* news service. I would like to ask Mr. Min to discuss some of the concerns President Jiang Zemin has when he talks about the need for national economic security. And also, whether there is any attempt to prevent the concentration in the markets that we have here in the West?

**Min:** I should say that the economic reform policies in China will be implemented further on in the future, and the policies to transfer China's economy into a market economy will be implemented in the future. I should say that the reform in agriculture and also in agriculture products is quite ahead of that in the industrial field, and also the enterprises.

I should say that the orientation for China's purchasing and marketing of agriculture products in the future is to adhere to the direction of socialist market economy. Grain, because this is a kind of commodity which is of very important significance in the national market—so it will be placed under the control of the state through market regulation.

And the mechanism of fixing the price by the market, will be introduced. The purpose of introducing the policies, and also the reform into China is to ensure the high enthusiasm of the farmers in the production, and thus ensure the stable production of grain. I think it has been well-acknowledged by both China and also the international community that the reform of the agriculture product marketing in China has been quite successful in transforming the previous shortage situation of supply and demand, to the current quite balanced situation.

The Chinese government attaches great importance to the process of industrialization in the development of agriculture, even though its portion in the total GDP is reducing gradually.

In China, we rely on the increase of agriculture production by three means. Firstly, the policy measures. Secondly, the introduction of science and technology. And thirdly, the increase of inputs into agriculture. And we will continue our efforts in these three aspects in the future.

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