

China's Excessive Food Production and its Social Costs

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Introduction

The Chinese proverb “food is what matters to the people” has greatly influenced China’s food production policies. However, the excess supply of agricultural production in recent years has left food with a much-reduced role in Chinese people’s heart.

After the founding of the People’s Republic, the government regarded food as critical materials, making food production in its first priority. In more than 20 years after that, the party and the whole country concentrated on developing agriculture and increasing food production, even taking advantage of the armies’ labor. In spite of this, the food supply still couldn’t meet the demand of china’s development.

As Chinese farmers get more autonomy in agricultural production and nonagricultural industry develops rapidly in rural areas, the food production problem, which troubled China’s government for a long time, had been solved in just a few years. However, the calling for keeping attention on increasing food production didn’t disappear, and still propagates through variety of social media. China’s food supply is already excessive if analyzed in economic laws. Putting undue emphasis on food production would give farmers the wrong information by the improper administrative measures, and bring great social cost.

Excessive food consumption

The excess food supply and consumption protective policies, especially the urban resident food supply policy and price subsidy policy, have stimulated excessive demand upon China’s current develop statement and bring in excessive consumption, which is notable in the urban area. For instance, compared with India, China’s food consumption per capita is 1.5 times the amount of India’s, in the premise that the GNP per capita of China and that of India are both around 300 dollars. For some agricultural species like eggs and vegetable oil, the consumption in China is 4 times more than that in India. In nine domestic big cities where GNP per capita is lower than 900 dollars, the food consumption level has reached that in Japan when its GNP per capita is 4026 dollars.

Great storage cost

In China the national grain reserve is a state secret, and it's impossible to get both the precise amount and its storage cost. But we can estimate that it's more than 100 million tons. If the food price is 750 Yuan per ton and the real interest rate is 5%, in regard of the storage loss, investment in storage equipment and the administration fee, the food storage cost per ton every year is more than 100 Yuan. So in the amount of 100 million tons, the cost would be 10 billion Yuan. If we take advantage of the international trade, we could avoid most of the cost, even on condition that the domestic supply was deficient.

Plenty of waste and unnecessary loss

By estimating, we could know that there is a great amount of waste and unnecessary loss in the process of grain seeding, harvest, carriage, storage, further processing and consumption area. The loss of grains caused by the backward seeding technology has reached 8.4 billion kilograms. And because the harvest is not timely in some area, the unnecessary loss during this procedure is around 8.87 billion kilograms. In addition, the unnecessary loss is about 3 billion kilograms during the procedure of carriage, 37.8 billion kilograms during storage, and 2.06 billion kilograms during further processing. The consumption waste is around 4 billion kilograms and the feeding waste is about 12 billion kilograms. Hence we can see that the total waste and unnecessary loss is about 76 billion kilograms. There are various reasons leading to the loss of food, and the fundamental reason is the excess food production, which makes food cheap to waste. In the case of scarce food supply, the unnecessary loss we mentioned above could be avoided.

Excessive outflow of agricultural resources

Excess supply of agricultural products brings about abnormal consumption and makes the price under the proper level. Every year the value of net resources outflow from the agricultural department is 100 billion Yuan on average, 10 times more than the government budget for agriculture. In the long term, excessive net resources outflow from agriculture will finally restrict the development of agriculture itself. If there is no effective measure taken to limit the rising net outflow, the national economic development would be influenced.

Farmers run at a loss

The excess food supply and the rising price of production factors, make some of the farmers, who work only in agricultural areas, run behind their expenses. In many regions the opportunity cost of labor is nearly zero, and there are plenty of farmers who run at a loss just for living demand. In recent years, the stagnant rising of farmers' income has become an outstanding problem about rural economic development, even though the problem of agricultural product supply has been solved. The critical reason for this is that the improper emphasis on the importance of grain production, leads to unplanned food production and supply. And the blind production could cause the imbalance of supply and demand in food

market, making farmers' income stagnant although production is increasing as they invest more.

CONCLUSION

Judging by the theory of comparative advantage, we have more labor resource than land resource in China, thus grains production is limited mostly in terms of scale of land. Compared with economic crops production, the grain production needs more land resource than labor resource. Consequently we should take advantage of the plentiful labor resource to develop economic crops' production, rather than spending on increasing grain's production, and promote the social welfare by international trade.

If we overemphasize food production, regardless of the current situation that the domestic food supply is excessive, we would lose the good opportunity to upgrade the industrial structure. As China takes more and more part in the global economic activities, China's economic development begins to follow the steps of the international economic development closely. In the same time, we are facing new challenges and need to implement internationalized agricultural policies, in order to get rid of the current predicament of China's agricultural development.

Reference: Zheng Fengtian. "The Cost of International food security policy and the Internationalization of China Agriculture [J]" *Economic Theory and Business Management*. 2002(10),72-75.

Date submitted: Aug. 25, 2015

Reviewed, edited and uploaded: Aug. 28, 2015