

Agro-processing Industry in China

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INTRODUCTION

China's agro-processing industry saw a sound momentum of rapid development despite a tough progress in global economic recovery, greater downturn pressure on domestic economy and frequent occurrence of natural disasters. Both of the added industrial value of agro-products and its total output increased steadily while the growth of exports rose slightly. Agro-processing enterprises had an improved performance in both operations and revenues, with those of the food industry especially eye-catching and doing remarkably well.

The growth of added value of agro-processing enterprises accelerated, with the output of main agro-processing products growing continuously.

In 2013, agro-processing enterprises above designated size numbered 74500 and generated a total income of 17.20 trillion yuan in their main business with, up to 13.8% growly annually. Across the whole year, their income from main business showed a trend of annual decline at first then bounced back on a track of growth. In the first seven months of 2013, the monthly income from main business of agro-processing enterprises above designated size continued to decline yearly while the growth for the rest of the year showed a rising momentum thanks to a series of policy measures aimed at stabilizing growth, adjusting structure and promoting reforms. Over the last five months of 2013, the average growth rate of the monthly income from main business of agro-processing enterprises exceeded 12%.

Among different industries, herbal and wood furniture industries saw a relatively higher growth than last year while the growth of other industries including paper-making and tobacco was relatively slower. In 2013, the growth rate of other incomes from main businesses of traditional Chinese medicine processing and Chinese patent medicine production industries reached 22.2%, notably higher than that of other industries. Due to the rapid urbanization development and demand for better housing conditions, wood processing and furniture-making industries maintained a momentum of fast growth, with the their respective growth rate of income from main business mounting to 17.8% and 16.4%. Against the background

of promoting energy conservation and emission reduction, the development of the papermaking industry was constrained.

In 2013, the growth of income from main business of the papermaking industry was 9.0%. Due to a series of smoking-ban laws and policies, the growth rate of income from main business of the tobacco industry was only 9.6%, notably lower than that of the whole agro-processing industry. In 2013, the food industry (non-staple food processing industry, food making industry and alcohol, beverage and refined tea making industries) generated a combined income of 9.094306 trillion yuan from its main business, up to 14.3%, accounting for 52.9% that of the total agro-processing industry, which was up by 0.2%. In 2013, the output of main product of agro-processing industry continued to expand. The grain output of agro-processing enterprises above designated size totaled 117.69 million tons, up 10.5%; wheat output 132.05 million tons, up by 4.2%; refined edible vegetable oil 62.19 million tons, up by 13.4%; and sugar product 15.68 million tons, up by 14.3%.

There were 3,120 grain-producing enterprises above designated size, mainly in Hubei, Heilongjiang, Anhui, Hunan, Jilin, Jiangsu, Liaoning, Jiangxi, Henan, and Sichuan Province; 1,875 wheat flour-producing enterprises above designated size, mainly in Henan, Shandong, Anhui, Jiangsu, Hebei, Shaanxi Province, with their combined production accounting for 86.35 of the national total. Shandong, Guangdong, Tianjin, Hubei, Jiangsu, Henan, Heilongjiang and Hunan remained China's top eight refined edible vegetable oil producers, which, together, accounted for 69.2% of the whole country's production.

The enterprises performance continued to improve, with small-and medium-sized enterprises (SMEs) seeing a faster growth in profit

In 2013, the agro-processing enterprises above the designated size across the country generated a combined profit of 1.21 trillion yuan, up by 15.0% annually, with the growth rate down by 7.7 percentage points but still notably higher than that of industry value. Among those enterprises, the combined profit of the food and textile industries was 869.174 billion yuan, accounting for 71.9% of the total agro-processing industry. In 2013, the profit margin of income from main business of the agro-processing industry was 7.0%, slightly higher than that of last year.

As to enterprises with different sizes, the growth rate of profit margin of SMEs was notably higher than that of large enterprises. In 2013, the profit of large

agro-processing enterprises grew by 10.3% yearly, with that of medium- and small-sized agro-processing enterprises respectively reaching 14.5% and 19.8%. In terms of profit margin, large enterprises had a notably better performance than that of SMEs. In 2013, the profit margin of large agro-processing enterprises reached 9.1% while that of SMEs in that industry averaged around 6.0%. As to ownership, the profit of state-holding enterprises was notably higher than enterprises in other ownerships. In 2013, there were 1,954 state-holding enterprises in the agro-processing industry, achieving a total profit of 204.143 billion yuan with a profit margin of 10.9%, 3.9 percentage points higher than the average industrial level; 61,000 private-holding agro-processing industry, making a total profit margin of 6.5%; 1,470 agro-processing enterprises of collective ownership, achieving a total profit of 36.23 billion yuan, with a profit margin of 6.7%; 3,400 Hong Kong-, Macao-, and Taiwan-hold enterprises in that industry, totaling a profit of 59.170 billion yuan, with a profit margin of 6.0%; and 3,621 foreign-hold agro-processing enterprises, registering a total profit of 104.332 billion yuan, with a profit margin of 7.0%. Among the 75,000 agro-processing enterprises, there were 9,347 suffering from losses, accounting for 12.5% of the total number of enterprises in that industry, slightly lower compared to that of last year, with a combined loss of 60.95 billion yuan, up by 4.15.

A trade surplus was maintained with export growing slightly

In 2013, the trade volume of agro-processing industry reached 89.11 billion U.S dollars (mainly referring to non-staple food process, food, beverage and alcohol producing industries), up by 6.9%, achieving a trade surplus of 3.16 billion dollars, of which the export was 46.135 billion dollars, up by 6.5% and 3.9 percentage points higher than that of last year. The export of commodities including dried, smoked and salted pork and beef and dried vegetables grew by more than 20%. In 2013, the delivered value of export of the agro-processing industry was 1.1015 trillion yuan, up by 7.9%, and exported mainly to Japan, the United States, China Hong Kong, Korea, Malaysia, Thailand, China Taiwan, Russia and Vietnam. Those top ten export destinations of China's agro-products accounted for 64.8% of the total export volume. Changing, Fujian, Guangdong, Liaoning, Zhejiang, Hubei, Hebei, Henan and Heilongjiang Province were China's top 10 sources of agro-product exports, with a combined export worth 37.50 billion dollars, accounting for 81.3% China's agro-processing industry.

The investment on fixed assets increased rapidly, with asset-liability level declining slightly

In 2013, the agro-processing industry (excluding traditional Chinese medicine sector) invested 3.5 trillion yuan on fixed assets. Of this figure, there was an annual growth rate of 23.5%, 5% of which is higher than that of the manufacturing industry, while 23.9% accounted for the total investments in the manufacturing industry. As to each of the sectors, investments in fixed assets in industries are related to alcohol beverages and non-staple processed foods.

A total of 867.36 billion yuan was invested in fixed assets in non-staple Processed foods were still on top of the processed list foods, up by 26.5%, which accounted for 24.6% of the total investments in fixed assets in the agro-processing industry; in alcohol and beverage making industry, the investments in fixed assets grew by 30.4%, notably higher than the average across the whole industry; in the food processing industry, the figure was 20.7%, lower than the average growth level. In 2013, the total liability of the agro-processing industry (excluding the traditional Chinese medicine sector) was 12.6 trillion yuan, with an asset-liability ratio reaching up to 50.2%, 7.6% lower than that of the industrial sector. As to each of the sector, the tobacco products industry, together with food making, alcohol, beverages and refined teas, leather, fur and feather products, shoe making, wood processing, and wood, bamboo, rattan, palm and grass products had a lower than average asset-liability ratio in the agro-processing industry. Among those industries, tobacco products had the lowest asset-liability ratio of 25.2% while the paper-making and paper product industry had the highest of 56.7%, 6.5% higher than the average level of the whole agro-processing industry.

The industrial concentration continued to improve, with the Middle and Western regions developing relatively fast

Due to a more competitive market environment, the agro-processing enterprises became more grouped and clustered. There were an increasing number of large- and medium-sized enterprises, with their income from main business accounting for a large share in the total income. In 2013, among the enterprises above designated size, there were 10,200 medium-sized agro-processing enterprises (accounting for 13.7% of the total number of enterprises in that industry), achieving an income of 4.3

trillion yuan from main business (accounting for 2.0% of the total number), making an income of 4.7 trillion yuan from main business (accounting for 27.58% of their total income), up 11.1%.

At the end of 2013, there were more than 1,000 large- and medium-sized enterprises compared to the same period of last year and the ratio of income from main business of large- and medium-sized enterprises to that of enterprises of all sizes grew by 2.1%. As to the regional development, the Middle and Western regions maintained a rapid growth, with their income from main business 16.6% and 15.0% annual growth respectively, both up faster than that of the Eastern region (12.1 %). The agro-processing industry in the Eastern region achieved an income of 9.6 trillion yuan from main business, accounting for 55.8% of the national total, down with 1.2%. The ratios of income from main business of the Middle and Western regions to the national total were 29.3% and 14.9% respectively, up by 1.0% and 0.2% annually. At the provincial level, Shandong, Jiangsu and Henan Provinces remained on the top three in terms of income from main business in the agro-processing industry, which accounted 35.1% of the national total, of which Shandong generated an income of 3.3 trillion yuan from main business of the agro-processing industry, accounting for 18.9% of the national total. As to the growth rate of income from main business, Heilongjiang, Hubei and Guizhou Provinces ranked on the top three list, all exceeding 20.0%.