



Program for Subsidizing Early Processing of Agro-Products

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INTRODUCTION

The program for subsidizing early processing of agro-products was initiated in 2012. Funded by the central budget under which a fixed subsidy that was no more than 30 percent of the construction cost of relevant facility was granted after its completion. This was intended for farmers and professional cooperatives who are working in the main production areas of potatoes, apples, oranges and other special fruits and vegetables. The idea was to build early-processing facilities for restoring, preserving and drying agro-products. In 2013, a total of 500 million yuan was earmarked from the country's central budget to implement this subsidy program in 13 provinces (and autonomous regions) including Hebei and Inner Mongolia and 197 counties (cities, districts and farms) in Xinjiang Production and Construction Corps.

Results of implementing the program

By the end of 2013, all the early-processing facilities funded by the central budget were completed with smooth progress, achieving the goal of those facilities being built, used and fully functional in the same year.

a. Improving conditions and promoting technologies

With the implementation of the subsidy program, a total of 60,000 farmers and professional cooperatives who were interested in joining the program received trainings at the provincial level; more than 30,000 farmers and 2,000 professional cooperatives benefited from the reward-and-subsidy policy; and over 50,000 early processing facilities were completed. From 2012 to 2013, more than 6,000 farmers and heads of professional cooperatives were trained in Jilin Province in a training program named Sunshine Project. From those trainings, farmers became more equipped with knowledge and proper skills for implementing the program of constructing early-processing facilities while the early-processing technologies were also effectively promoted.

b. Balanced supply to promote sales

There are only seven to 15 days between potato's harvest and the first frost in main production areas of potatoes in northwestern, northern and northeastern regions of China. As a result, there are only no more than 15 days for field sales for potatoes. It is almost unavoidable that farmers would have to sell their potatoes at a very cheap price as it is hard to sell them all in such a short period of time before the arrival of the frost. With the above-mentioned facilities, the sales period of potatoes has been extended to seven months. This enabled farmers to sell their potatoes during off-season time or whenever they think it is best, by which market supplies are adjusted while farmers' income also increased. In Changtu County of Liaoning Province, four crops of carrots have been produced in a year with a combined crop area of 400 hectares in facilities including greenhouses. From 2012 to 2013, five 100-ton-capacity cold storages and 300 10-ton-capacity storage cellars were completed with national support, expanding the market from neighboring areas to neighboring countries such as Russia while supplying agro-products all-year around.

c. *Reducing losses and adding supplies while promoting farmers' income*

With storage and drying facilities, the loss rate of potato, fruit and vegetable declined from 15% to 20%, and 20% to 25% percent to below 6%, 4% and 6% respectively, equaling an extra production of 110,000 tons of potatoes, 117,000 tons of fruits and 48,000 tons of vegetables and an added income of 392 million yuan for farmers because of the loss reduction. Meanwhile, the prices of stored and timely dried potatoes, fruits and vegetables were 50% higher than those sold on the field, adding another 1.475 billion yuan of income for farmers. Those facilities, if run for 20 years, could bring as much as 37 billion yuan for farmers.

Major approaches

2013 marks the second year since the introduction of the program for subsidizing early processing of agro-products. Authorities at all levels conducted in-depth research to clarify thoughts and find innovative working approaches, thus ensuring smooth progress in implementing the program.

a. *Improving system and approaches to pave the way for work implementation*

The MoA and the Ministry of Finance jointly issued 2013 Guiding Opinions on Implementing Program for Subsidizing Early Processing of Agro-products, making specific requirements for overall thinking, construction principles, subsidy coverage, targets and standards, implementing procedures, responsibilities, supervision and performance appraisal as well as capital management. Later the MoA which was issued on 2013 was a Technical Plan for Implementing the Program for Subsidizing Early Processing of Agro-products, expounding on specifications, construction drawings, acceptance criteria and operation procedures. Meanwhile, the information management system of the subsidy program was improved for managing information of application, review and approval, acceptance and subsidy delivery of each of those early-processing facilities.

b. *Giving priorities in a scientific manner to ensure strict standards during the process of implementation*

All provinces stuck to the principles of centralizing efforts in the main production areas while promoting the overall development and developing adjacent areas, giving priorities to those counties that had large crop areas or high production or suffered from

the heaviest post-production losses. In light of farmers' high enthusiasm and a high demand yet with a limited capital, local authorities took into consideration factors including applicants' crop areas and production or drew lots when determining the subsidy targets and then published the list of the candidates, ensuring a fair arrangement of the subsidy.

c. *Strengthening the sense of service to ensure full implementation of training and guidance*

The MoA invited and employed 15 experts specializing in agro-product storage and drying to carry out technical demonstrations, draft training books, give lectures and guidance nationwide. A "Super Training Program" was held for administrative and technical staff from 14 guidance authorities responsible for program implementation, different authorities worked at the same location to speed up review and approval of applications for building early-processing facilities. In Xinjiang Uyghur Autonomous Region, a program coordinating group, an agro-processing bureau and a guidance and supervision group consisting of cadres of the department of finance were set up to work on levels of towns, villages and households, responsible for a variety of work including publicity, preparation, site selection, construction and acceptance.

d. *Facilitating integration of construction and management to promote utilization efficiency of the facilities*

Although those facilities were used seasonally, the MoA aimed at the premise of those facilities being built, used and fully functional in the same year at turning them into a long-term approach for farmers and cooperatives to increase income and become more prosperous. Active efforts were made to push for the comprehensive utilization of the facilities, giving balanced consideration to their construction, management and utilization. Experts were organized to draft storing and preserving procedures for potatoes, sweet potatoes and 15 kinds of fruits including apples and pears, and drying operation procedures for six kinds of dried fruits and vegetables including peppers and mushrooms. Authorities at the provincial and county levels were required to introduce those procedures to as many farmers and cooperatives as possible in an attempt to increase the utilization efficiency of those facilities by making the storages, cellars and rooms multi-functional.

e. *Finding innovative ways to raise capital while exploring and establishing a diversified investment mechanism*

In order to find and establish a diversified investment mechanism that drew from national subsidies and encouraged farmers to raise funds on their own with grants at local level and support from financial institutions, some cities and counties centralized the "One Case One Discussion" fund, the emergency fund and funds from relevant supporting authorities, to support construction and development of the early-processing facilities. In Gansu Province, a special fund of over 11 million yuan was raised for spending on bidding and procurement of relevant supporting equipment, technical guidance and service provided by backstopping bodies, program supervision and management and training at county areas. The provincial authority of Hebei worked with its provincial bank of agriculture to actively encourage more financial input in the construction and development of the facilities, with up to more than 18 million yuan of financial support in place in 2013.

Main experiences

During the process of program implementation, all relevant authorities gained a lot of useful

experiences by actively carrying out practices and seeking new working methods, setting a very good example for program implementation.

a. A good organization and coordination is an important guarantee for program implementation

With the farmers being the major force for program implementation, the agro-processing facility construction also required objective conditions. Therefore, it was critical for government authorities to play a competent role in program organization and implementation. During the process of program implementation, most of the concerned counties set up a coordinating group headed by a government official who was directly responsible for the program with the participation of staff from the department of agriculture, finance and land and resources in an attempt to study and then resolve problems encountered with farmers in real situations. Some counties also included the progress of the program into their annual government performance appraisal, which largely raised the sense of responsibilities of officials at all levels while adding incentives for their work, thus providing a forceful guarantee for program implementation.

b. A sound technical service is an important driver for smooth progress of program implementation

All authorities at the provincial level organized technical backstopping bodies to localize the technical plan formulated by the MoA and then issued those localized technical books while providing consulting service and running guiding tours. In some provinces, the series of training were included into the Sunshine Project, a move that enabled all interested farmers and cooperatives to participate in those trainings. Meanwhile, technical experts went to work at the grass-root level to offer guidance for project preparation, technical keynotes and key indicators while teaching farmers to construct, use and manage early-processing facilities, ensuring a sound technical support for project construction.

c. Strengthening process management is a key step ensuring smooth progress for program implementation

According to the time schedule, local authorities formulated plans, launched publicity campaigns, received and reviewed applications, published the list for subsidy candidates, carried out facility information registration, supervised construction, initiated acceptance appraisal and finally, granting subsidies. Meanwhile, they took effective measures to remedy what they found during the process of construction. In many places, five “Unification” standards were observed in accepting those facilities, namely, the unification between assigned quotas and construction tasks, the unification between facility safety and quality standard, the unification between construction purpose and practical utilization, the unification between facility builder and subsidy receiver and the unification between financial capacity and granting standards. The sound supervision and inspection and strict facility acceptance practice ensured a high standard and quality of those facilities as well as their scheduled competition.

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