

Projection of China's Agricultural Development Trend in the Future

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Agricultural production is likely to maintain momentum of stable growth

Grain production is expected to remain generally stable on the basis of its 10-year growth. According to an MoA survey on farmers' intentions on crop plantation, the total acreages of grains and vegetables are expected to increase, those of oil-bearing and sugar-bearing crops will remain unchanged, while that of cotton will decrease.

The area for grain plantation is projected to be stable and growing, while those of vegetable plantation will continue to expand. The central authorities have, in early 2014 announced the minimum prices for purchasing wheat and rice, sending out a strong signal about the government's commitment to agriculture and grain production, and having stabilized farmers' income expectations. The total area of grain farmland nationwide is expected to expand slightly, with the intended acreage of up to 0.3% from the previous year. Thanks to the utilization of idle land in winter, the rise of multi-cropping index in South China and the expansion of greenhouse vegetable production in North China, the intended acreage of vegetable farmlands is 1.9% higher every year.

The areas of oil-bearing and sugar-bearing crops are expected to be basically unchanged, while that of cotton is projected to shrink. In southwestern China, more wheat farmlands will be used to grow oil-bearing crops, and in Hunan and Hubei provinces, more winter idle land will be used to plant rape. As a result, the intended acreage of oil-bearing crops is 0.2% up from the previous year. Besides, the intended acreage of sugar-bearing crops is 1.16% higher. Meanwhile, because of the relatively lower returns of cotton plantation, the intended acreage of cotton is expected to decline by 7%.

Animal husbandry is to witness slight fluctuations, while aquaculture is projected to achieve steady growth. Live pig prices will bottom out with minor fluctuations, and the increase will boost the enthusiasm for pig farming. The production of poultry eggs is expected to maintain steady growth. The imports of beef, mutton and dairy products are projected to increase further. The prices of beef and mutton will fluctuate at high levels, with the gap between supply and demand continuing to grow. The output of milk products will continue to rise steadily, but the supply-demand gap will remain sizable. The production and consumption of aqua-products will remain relatively stable, with the market expected to keep stable development.

Agro-product prices are expected to remain stable

On the one hand, the domestic prices of primary agro-products are faced with relatively large downward pressure. Domestically speaking, the state has for years been expanding subsidies for farmers and boosting price support for main agro-products, and the country has for years enjoyed bumper harvest of primary crops. As a result, the overall supply of agro-products is ample, the level of storage is high, and the demand is slack, which will all translate into a big pressure on the prices. Globally speaking, the increasing area of grains production, the

growing per-hectare output and the rising storage level are weighing down the international prices of agro-products, which adds to the downward pressure on domestic prices.

On the other hand, the domestic prices of some agro-products have some room to rise. Domestically speaking, the cost of agricultural production is rising along with the prices of such factors and inputs as labor, land and agricultural materials, which will constitute a lifting force on agro-product prices. Globally speaking, the world economy is on track for stronger-than-expected recovery and growth, with the demand of some agro-products for industrial purpose on the rise. Considering such factors as the project El Nino, the international agro-product prices have some room to rebound, which will also help push up the domestic prices.

Generally, the domestic prices of farm produce are expected to remain stable, with those of some agro-products decreasing slightly. In terms of the types of crops, grain prices will be generally stable, with little room for both for their increase and decrease. Due to weak demand and the influence of the target price policy, cotton prices have sizable room for decrease. The relationship between the supply and demand of oil-bearing crops will ease further, and their prices are expected to begin falling. Sugar faces a relatively big inventory pressure, and its prices will continue to witness weak fluctuations. The prices of live pigs and pork will bottom out after sustained decline, and those of poultry meat and poultry eggs will remain high with minor fluctuations. The demand of beef and mutton is increasing rapidly, but the supply remains limited, so the prices will continue to rise. The prices of milk products will continue to rise, those of vegetables are expected to decline, and those of aqua-products are projected to fall after continuous growth.

The agricultural sector's reliance on the global market will remain high

Thanks to such factors as the rising cost of domestic production, the weak demand of the international market, the resurgence of trade protectionism, the fluctuations of foreign exchange rates, and the fierce competition in the international agro-product market, the exports of Chinese agro-products are faced with daunting challenges, but the general pattern will remain stable. It was expected that in 2014, China's export of aqua-products will continue to expand, but at a lower pace. Those of vegetables will maintain rapid growth and reach its peak in 2015, while fruits and fruit products will continue to enjoy notable export advantages.

As regards imports, with the world economic recovery gaining traction, the global output of agricultural commodities remains stable, leading to its ample supply. Meanwhile, at home the effect of agro-product price support measures is weakening, while the price disadvantage will further expand compared to the foreign agro-products. As a result, the scale of agro-product imports is expected to further expand. The imports of rice will remain at a stable scale, continuing the long-existing reality of net importation. High-quality wheat in the international markets has marked an edge on price, thus wheat imports are expected to hover at a certain level. Thanks to the large domestic stock, direct and indirect imports of soy oil and rapeseed oil will grow at a slower pace, but dependence on imports will remain high. The imports of pork and poultry meat will remain stable, but those of beef and mutton are expected to continue increasing given the severe shortage of their supplies. The import pattern of dairy products will continue to adjust, with the demand for imports set to expand. Generally speaking, thanks to the strong production capacity of most agro-products at home, the high level of inventory, and the slow growth of consumption demand, the demand for imports will decrease to some extent, but the external dependence of the agricultural sector will remain high.

Farmers' income will maintain continuous and steady growth

Farmers' income now enjoys sound growth momentum, with the gap between urban and rural income continuing to narrow down. In 2014 farmers' income is expected to continue to grow steadily, and the urban-rural gap is projected to further shrink.

First, the central government has unequivocally instructed to continue to increase policy support and financial input for agriculture, rural areas and farmers, improve agricultural subsidization, and raise the accuracy and leading effect of agricultural subsidies, so as to help increase the production income of farmer households.

Second, the supply and demand pattern of labor has changed from oversupply to increasing undersupply. The minimum wages are growing across the country, and the income of rural migrants is certain to rise continuously along with economic development. Meanwhile, efforts will be made to safeguard the rural migrant workers' legitimate rights like pay. The process of turning rural migrants to urban citizens will be advanced in an orderly manner, and the policy of extending urban basic public services to cover rural migrant workers will be optimized. Farmers' income from off-farm work will be lifted, so will the contribution of salaries to the growth of farmers' income.

Third, the third plenary session of the 18th CPC Central Committee was instructed to bestow more property rights on farmers and promote equal exchange of urban and rural resources and balanced distribution of public resources. It demanded that reform of rural land institutions be deepened, new types of agricultural management subjects be created, and rural financial institutions be upgraded. It also proposed to effectively guarantee farmers' income from property, create new growth spots for farmers' income, and further decrease the gap between urban and rural income.

However, the growth of farmers' income still faces many challenges. On the one hand, agro-product prices as a whole are expected to witness weak fluctuations, with small leeway for increase, which will play a limited role in lifting farmers' income. On the other hand, the domestic economy is faced with big downward pressure and troubled by real estate, debt and financial risks, and expectations are strong for further slowdown of economic growth, which will hinder the growth of farmers' income.

In general, thanks to the combined effect of the multiple favorable policy and market factors, farmers' net per-capita income will continue to grow steadily, but the pace of growth is likely to slow down. The disparity between rural and urban incomes will further decrease, but the absolute difference will remain large.

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