The Frame of Agricultural Policy and Recent Major Agricultural Policies in China

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1. Introduction

- Since the 1980s, the agricultural economy and rural development in China has made tremendous achievements, and agricultural policies innovation played a key role.

- However, entering the new century, China is facing a more complex macroeconomic situation.

- The paper provides a systematic insight into the China agricultural policies since the new century.
2. The Objectives of China’s Agricultural Policies

2.1 Features of the development of China’s agriculture in the new century

- Before understanding the objective, you need to figure out the new feature of China’s agriculture.
- Since 2002, China has undergone significant changes in economy and society, and agricultural economy and rural development has stepped into a new stage.

- In this stage, I summed up 8 features:
**Feature 1:** the management system of agriculture was converted to active design from passive adjustment.

**Feature 2:** the tight balance of the overall supply and demand of the agricultural products and accelerated shortage of some varieties.

**Feature 3:** the rising of production cost and various fees.

**Feature 4:** the volatile rising of agricultural products and the growing number of affecting factors.

**Feature 5:** the limited rural labor surplus and structural shortage of agricultural labor.

**Feature 6:** the acceleration of the process of agricultural organization and diversity of the operation modes.

**Feature 7:** the steady growth of technology contribution rate and the increasingly prominent position of technology in agriculture.

**Feature 8:** the steady growth of farmers’ income, and both wage income and household business income increases.
2.2 The objectives of China’s agricultural policies in current stage

- **Overall objectives:**
  - **Sustainability**
  - **Stability**
  - **Harmony**
    - to coordinate the development between agriculture and other industries, and to prevent stagnation in agricultural development.
  - **Innovation**

- **Detailed objectives:**
  - Ensure effective supply of agricultural products.
  - Promote the steady growth of farmers’ income.
  - Realize sustainable development of agriculture.
  - Advance agricultural modernization.

See the key indicators of detail objectives from *China’s 12th Five-Year Plan*.
3. China’s Agricultural Policy Framework

- Since 1950s, Chinese government has implemented a series of policies and measures for agriculture according to the national economic and agricultural development in different periods.

- After 30 years’ development of reform and opening up, China’s agricultural policy has formed a relatively complete framework.

- This framework generally consists of three major categories:
  - **basic agricultural policies** (3 aspects)
  - **policies to support agricultural production** (9 aspects)
  - **policies to protect agricultural benefits** (4 aspects)
China’s Agricultural Policy Framework

- Basic policies
  - Basic Rural Management
  - Agricultural land protection
  - Food security
  - Structural adjustment
  - Agri. Product quality and safety
  - Agricultural taxes
  - Agricultural subsidy
  - Agricultural Products marketing
  - Agri. science and technology
  - Rural finance
  - Agr. labor transfer and employment
  - Infrastructure construction
  - Agricultural Product price protection
  - Agricultural product trading
  - Agricultural resources and environment protection
  - Rural development and poverty support

- Production supporting
- Benefit protection
3.1 Basic agricultural policies

3.1.1 Basic rural management system

An important historical experience of China’s rural reform is to insist on the basic rural management system created by millions of peasants.

The main elements of this policy are:

- collective ownership of rural lands and other major means of production, basis of family contractual operation, land contractual management rights which can be transferred according to laws, enhancement on collective organization services, and support on the various types of cooperation with farmers, etc.
3.1.2 Farmland protection policy

- Farmland resource constraint is the “bottleneck” and “short board” of China’s agricultural development and China has taken the farmland protection as the long-term basic nation policy.

- the core content is:
  - to maintain the quantity and improve the quality of the farmland, including establishing the basic farmland protection system, implementing the most stringent farmland protection system, strengthening the farmland quality improvement, and improving the land requisition system, etc.
3.1.3 Food security policy

- Chinese government has paid great attention to food security.
- Since 1980s, the government has implemented a series of policies and measures to benefit the food development:
  - adhere to the principle that meeting demand with domestic production;
  - implement governor responsibility system of food;
  - improve comprehensive production capacity of food;
  - increase the input to agriculture and food fields;
  - improve financial awards policy;
  - highly strengthen agricultural technology innovation and application;
  - strengthen protection of arable land, water resource and other primary elements for production;
  - improve the reform of food circulation system;
  - promote the food price protection;
  - improve the policy of the regulatory mechanism of food reserves;
  - establish the food security policy system that obey the rules of market economy.
3.2 Agricultural production supporting policies

- 3.2.1 Agricultural structural adjustment policy
- 3.2.2 Agricultural product quality and safety policy
- 3.2.3 Agricultural taxes policy → decrease, cancel
- 3.2.4 Agricultural subsidy policy → increase

Fig. 2
Agricultural “Four subsidy” funds in 2004 – 2012 (billion Yuan)
3.2.5 Agricultural product marketing policy

- included: establish diversified market main body, promote diversity of circulation modes; improve construction of various types of markets, construct nationwide circulation network; improve agricultural product quality monitor, and improve the market macro-control capacity.

3.2.6 Agricultural science and technology policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Focus of the agricultural technology policy</th>
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<tbody>
<tr>
<td>2004</td>
<td>Reform of agricultural science and technology system</td>
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<tr>
<td>2005</td>
<td>Improve agricultural technology</td>
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<tr>
<td>2006</td>
<td>Greatly enhance the ability of agricultural technology innovation and transformation</td>
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<tr>
<td>2007</td>
<td>Strengthening agricultural technology innovation system construction</td>
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<tr>
<td>2008</td>
<td>Accelerate the development and application of agricultural technology</td>
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<tr>
<td>2009</td>
<td>Increase investment in agricultural technology</td>
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<tr>
<td>2010</td>
<td>Improve the promotion ability of agricultural technology</td>
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<tr>
<td>2011</td>
<td>Strengthen the support for hydrometeorology and water conservatory technology</td>
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<tr>
<td>2012</td>
<td>Develop modern agriculture relying on technology innovation</td>
</tr>
<tr>
<td>2013</td>
<td>Improve the conditions of agricultural technology innovation capacity</td>
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3.2.7 Rural finance policy
- Including: improving fiscal support policy and monetary policy support of rural finance, actively developing rural insurance and cooperative foundations, gradually establishing rural disaster compensation system, strengthening the rural financial law system, etc.

3.2.8 Agricultural labor transfer and employment policy
- including: rural labor transfer and employment service, rural labor benefit protection, rural labor transfer and employment training, rural labor living condition improvement, and solving education problems for rural labors.

3.2.9 Agricultural infrastructure construction policy
- skip
3.3 Agricultural benefit protection policies

3.3.1 Agricultural product price protection policy
- Price protection policy for grain and other major agricultural products was implemented from 1990’s, and the price maintaining policy for grain and other major agricultural products was gradually established to implement the minimum purchase price.

3.3.2 Agricultural product trading policy

3.3.3 Agricultural resources and environment protection policy

3.3.4 Rural development and poverty support policy
4. The achievements and challenges of China’s agricultural policy

4.1 Major achievements

- Firstly, the demand and supply of grain and other agricultural products has been stabilized.
- Secondly, the reform of the agricultural taxes and fees has greatly reduced farmers’ burden.
- Thirdly, the weak financial support for agriculture has been improved systematically.
- Fourthly, the food and clothing problems of rural poverty have been generally solved.
- Fifthly, the international trade of agricultural products contributes more and more to the country and worldwide.

In general, it is proved that the guideline of rural reform and development was basically correct, and the policies to benefit and develop agriculture were useful and efficient.
4.2 Recent challenges of agriculture development

- Challenges go with the achievements. Especially in the recent 5 years, the development of China’s agriculture has faced new challenges (8).

- **Challenge1**: as the further accelerated development of industrialization and urbanization, the agricultural modernization was expected to keep up the pace.

- **Challenge2**: the demand and supply of major product may keep in a tight balance, and pressure of certain varieties is further increased.

- **Challenge3**: agricultural product prices will remain high, and the difficulty of regulation is increased.
■ **Challenge 4:** the organization, large scale and cluster of agriculture are getting more significant, and the tasks of agricultural social service system are getting heavier.

■ **Challenge 5:** agricultural technology and innovation is further improved, but is still relatively underdeveloped.

■ **Challenge 6:** the opening up of agriculture is further expanded, and the production security is more serious.

■ **Challenge 7:** the process of migrant workers citizenry is accelerated, while the difficulties in developing rural social business and regulation are greater.

■ **Challenge 8:** the farmers’ income is increasing steadily, and the pressure of increasing income is getting higher.
5. New measures of China agricultural policies

5.1 New agriculture development strategies

Facing these new challenges, the new CPC central committee and the Chinese government proposed new thoughts for further deepen reform and promote “Sannong” development.

The main idea can be summarized as “urban-rural integration”
official statement of “urban-rural integration”:
“must improve institutional mechanisms, in order to promote the formation of the new agricultural-industrial and urban-rural relationship, in which industry nurture agriculture, cities support countryside, agriculture and industry are mutual beneficial, urban and rural areas are integrated, so that the majority of farmers can equally participate in the process of modernization and share the fruits of modern.”
This concept consists of the following four aspects:

- Firstly, accelerate the building of a new agricultural management system based on a mix of family, collective, cooperative and enterprise operations.

- Secondly, farmers will be given more property rights.

- Thirdly, a more balanced allocation of public resources between urban and rural areas will be promoted.

- Fourthly, build a healthy urbanization that puts people at the center.
5.2 Recent agricultural policy highlights

According to the basic thinking of "urban-rural integration", the recent major agricultural policies are mainly reflected in the No.1 document of 2014 issued by CPC. The specific measures include the following 9 aspects.

5.2.1 Food security and safety (2)
This is top priority in all the policies

a) Perfect the national grain security strategy under the new situation.

b) Strengthen supervision and control over the quality of agricultural products and food safety.
New national grain security strategy

- takes our side as the dominant factor
- bases itself on our own country
- guarantees the production capacity
- imports appropriately
- has the support of science and technology.

**Shift:**

- almost absolute self-sufficiency → basic self-sufficiency of grain and absolute grain ration security should be ensured.
- Soybean, maize import will be increasing.
5.2.2 Agricultural Management System innovation (3)

a) Develop various kinds of scale management.
   - Encourage farm households to transfer the management right of contract land.
   - Explore the establishment of a risk security fund system for the transfer of land for the use of agriculture to industrial and commercial enterprises and strictly ban the use of farmland for non-agricultural use.

b) Support the development of new types of agricultural operators.
   - Cooperatives, Enterprises, professional family farm, etc.
   - Allow financial funds for projects to be directly invested in cooperatives that meet relevant requirements
   - Promote experiments at selected points on financial support for the innovation of the farmers’ cooperatives and guide the development of joint cooperatives of the farmers’ professional cooperatives.
c) Improve the agricultural socialized service system.

- By means of financial assistance, tax and fee preferential treatment, credit support and other measures, **make great efforts to develop socialized services with diversified main bodies, various forms and full competition.**

- By means of the purchase of services by the government and other ways, support qualified business service organizations in their efforts to provide agricultural public welfare services.

- Support the development of farmers’ water cooperation organizations, flood control and drought relief professional teams, professional technology associations and a contingent of farmer brokers.
5.2.3 Agricultural land management (4)

a) Improve the rural land contract policy

- give the farmers the powers and functions of the occupation, use, benefits, transfer, as well as the use of the contract land management right for mortgage and guarantee.

- On the basis of ensuring the collective ownership of rural land, stabilize the farm household contract right, relax restrictions on the land management right and allow to use the contract land management right for mortgage in financing from financial institutions.

- Earnestly protect the land contract right and benefits of women.
b) Guide and standardize the entry into the market of **rural collective operational construction land**.

- allow the transfer, renting and selling for shares of the rural collective operational construction land.
- speed up the establishment of a property right transfer and value added profit distribution system for rural collective operational construction land.

c) **Improve the rural residential land management system.**

- steadily promote the use of the farmers’ housing property right for mortgage, guarantee and transfer.
- Improve the experiment at selected points on **linking the increase with the decrease of construction land of the urban areas and the rural areas**
d) Push forward and speed up the reform of the land acquisition system.

- **Reduce the scope of land acquisition, standardize the acquisition procedures and improve the mechanism for the rational, standard and diversified protection for farmers whose land is acquired.**

- In addition to compensation for farmers’ collective land acquired, it is also imperative to ensure the housing, social security and employment training of the farmers.

- Take various measures, such as setting aside land for resettlement and compensation, suiting measures to local conditions, and ensure the farmers are benefited over a long time.
5.2.4 Production and marketing (2)

a) Production supporting and interests protecting measures

- Improve the system for the steady growth in input into “Sannong”.

- Improve the agricultural subsidy policy.

- Speed up the establishment of a benefit compensation mechanism.

- Improve the supervision and protection mechanism for farmland irrigation construction.
b) Marketing and trade strategies

- Improve the price formation mechanism for grain and other important agricultural products.
  - **target price system**
  - Subsidize the low-income consumers when market prices are too high and subsidize the producers when market prices are lower than the target prices according to price differences and earnestly ensure the farmers’ benefits.
  - In 2014, launch the experiment at selected points on target price subsidies for soybeans in Northeastern China and Inner Mongolia and for cotton in Xinjiang.
  - Experiment at selected points on **target price insurance** for grain, hogs.
- Improve the system for regulating and controlling the agricultural product market.

- Strengthen the building of the market system of agricultural products.

- Rationally make use of the international market for agricultural products.
  - “Two Markets + Two Resources”
  - Support carrying out mutually beneficial and win-win cooperation in agricultural production and import and export abroad, especially such cooperation with neighboring countries.
  - Encourage financial institutions to actively innovate financial products and ways to provide services for international trade in agricultural products and for agriculture to go global.
5.2.5 Environment and natural resources (4)

- a) Promote the development of eco-friendly agriculture

- b) Carry out the experiment at selected points on the recuperation and building up of strength of agricultural resources.

- c) Make greater efforts to ecological protection construction.

- d) Make improvement in the human residential environment of villages.
5.2.6 Rural finance and agricultural disaster insurance (3)

a) Strengthen the responsibility of financial institutions in serving “Sannong."

- Encourage the Postal Savings Bank of China to grant medium and long-term loans for agriculture
- Strengthen the function of rural credit cooperatives, village and town banks, small and medium banks and financial leasing companies, Small-loan companies

b) Develop a new type of rural cooperative financial organizations.

- promote the development of community rural funds mutual-aid organizations.
c) Make greater efforts to support agricultural insurance.

- continuously increase the coverage of insurance for the three major grain varieties of rice, wheat and corn and raise the risk protection level
- Expand the scope and coverage areas of insurance for livestock products and forests.
- Encourage the provision of various forms of mutual cooperative insurance.
- speed up the establishment of a financial-supported serious disaster risk dispersion mechanism for agriculture insurance.
- Explore opening the business of loan and guarantee insurance and credit insurance in the agriculture-related financial area.
5.2.7 Agricultural science policies and technology development (2)

a) Push forward agricultural science and technology innovation.

- Regard agriculture as a prioritized area for financial, science and technology input and guide credit financing and risk investment to enter the area of agricultural science and technology innovation.

b) Speed up the development of the modern seed industry and agricultural mechanization.

- Speed up whole-process mechanization of field crop production, mainly tackle mechanized transplanting of rice seedlings, mechanized cotton picking, mechanized sugarcane harvesting and other weak links and realize integration and matching of crop species, cultivation technology and machines and equipment.
5.2.8 Rural public services (2)

- a) Push forward equalization of basic public services between the urban areas and the rural areas.
  - Streamline the basic old-age insurance system for the urban and rural residents, gradually establish a mechanism for the normal readjustment of the basic pension standard and speed up the establishment of a rural social old-age care service system.

- b) Promote and speed up the urbanization of the population transferred from agriculture.
  - reform of the household registration system, and establish a unified urban-rural household registration system
  - ensure equal pay for equal work of the migrant workers.
6 · Conclusion and prospects

- Institutional innovation is an important power for promoting the development of agricultural economy, and over 30 years’ practice of China's reform and opening up has proven this.
- In this process, China has initially formed a complete agricultural policy framework, but new challenges require Chinese government continues to promote innovative agricultural policies.

- The emphasis of China's future agricultural policy will be placed on new food security strategy, agricultural land policy, agricultural marketing, rural finance, new agricultural management system, farmers’ income growth, etc.
Anyway, the economic and social development of China is in a transformation period and the rural reform and development are faced with a more complicated environment and increased difficulties and challenges.

It is impossible for China to achieve a high level of agricultural modernization within a short period of time.

But we can forecast that:

- New types of agricultural operators such as cooperatives, family farms, agricultural enterprises and so on, will be fast growing and play a more important role in China agriculture,
- Restrictions on the land management right are expected to be gradually released,
- Agricultural production is likely to maintain stable growth,
- Farm product price hikes are expected to ease,
- The deficit in agricultural trade would widen,
- Farmers’ earnings are expected to see rapid growth.
Thanks for attention!