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IAC Special Assessment 15/81  
Approved: 16 November 1981

CHINA: 1981 Agricultural and Food Situation and  
Implications for Economic Development

Summary and Conclusions

1. The success of present farm policy will largely depend on the capacity of China's farm resource and technology base to demonstrate that it has significant potential for growth, and will determine the future course of Chinese economic policy and development. Time is not on the side of the current leadership, and the performance of the farm sector this year will be of concern inasmuch as the forecast to date appears to indicate little growth. Serious drought and flooding have affected crop development and interfered with field work. Changes in crop structure have also hindered the growth of key rice and wheat harvests. In the event that grain output approaches the planned level of roughly 330 million metric tons (mmt), the harvest will not be a record, but will be nearly 10 per cent above the five year (1976-1980) average. Although the régime may take some satisfaction in maintaining farm output in a difficult year, low levels of food consumption remain a cause for concern. For the second consecutive year China will likely import about 14 mmt of grain, thereby providing its cities with an estimated 50 per cent of their total wheat supply. Changes in the operation of the farm sector reflect a conviction that the collective farm system had made inefficient use of arable land and was incapable of providing adequate incentives.

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Rapport d'évaluation spéciale du CCR 15/81  
Date d'approbation: 16 novembre 1981

CHINE: État de l'agriculture et de l'alimentation en 1981  
et répercussions sur le développement économique

Résumé et conclusions

1. La réussite de la politique agricole actuelle dépendra en grande partie de la mesure dans laquelle on pourra démontrer que les ressources et la technologie agricoles ont un fort potentiel de croissance, et elle déterminera le cours de la politique et du développement économiques de la Chine. Toutefois, les dirigeants actuels sont pressés par le temps et le rendement du secteur agricole cette année constituera une source de préoccupation, d'autant plus que les prévisions semblent indiquer jusqu'ici que la croissance sera infime. La sécheresse et les inondations graves ont nui aux récoltes et aux travaux dans les champs. La diversification des cultures a aussi empêché l'accroissement des productions clé de riz et de blé. Si la production approche, comme prévu, des 330 millions de tonnes métriques, la récolte n'atteindra pas un niveau record, mais sera supérieure d'environ 10 p. cent à la moyenne quinquennale (1976-1980). Même si le régime peut tirer une certaine satisfaction d'avoir maintenu la production agricole pendant une année difficile, le faible niveau de consommation alimentaire reste une source de préoccupation. Pour la deuxième année consécutive, la Chine importera probablement 14 millions de tonnes métriques de céréales, assurant ainsi aux villes près de la moitié de leurs approvisionnements en blé. Les réformes apportées à l'exploitation du secteur agricole reflètent la conviction que le système des fermes collectives a prêté à une mauvaise utilisation du sol arable et a été incapable de fournir les stimulants nécessaires. (CONFIDENTIEL)

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Discussion

2. Official Chinese sources reported last month that 1981 production of farm products (meat, grain, cotton, etc.) would be "good". With respect to field crops (including grain, oil seeds, cotton, tobacco, sugarcane, etc.), it was indicated that the harvest would be favourable and that total output would exceed the 1980 level. The Chinese now anticipate a "bumper" harvest of grain which will be close to the record figure of 332 million metric tons (mmt) achieved in 1979, which is also the 1981 target figure. Production of wheat and early rice, the two key components of the early season grain harvest, probably rose to roughly 105 mmt, up by five mmt from 1980, but still below the approximately 110 mmt achieved in 1979. The output of mid-season and late-season rice is apparently expected to reach or exceed the nearly 90 mmt estimated for 1980. Production of corn and sweet potatoes, at least in South China, will also likely increase. (CONFIDENTIAL)

3. If this year's grain harvest, a key component of total field agriculture, approaches the target figure, it will be achieved despite numerous problems. Serious drought and flooding have affected crop development and interfered with the normal course of field work in many key grain producing provinces. Significant changes in crop structure in both North and South China, as a result of the reemergence of individual and small-group farming, have hindered growth in rice and wheat output. Production of these crops, China's two most important grain staples, has faltered since 1979, as farmers have reduced rice and wheat acreages in favour of more profitable crops. (CONFIDENTIAL)

4. While recent Chinese reports on the 1981 grain

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harvest are generally optimistic, we consider that they nevertheless reflect concern with end-of-the-season growing conditions in many areas which produce large tonnages of late season rice and miscellaneous grains that account for approximately 45 per cent of China's total grain output. An autumn drought in some coastal areas of North China, as well as in inland districts south of the Yangtze, combined with serious flooding in inland areas of North China and in districts adjacent to the Canton delta (with its important late rice crop) are likely to have affected yields. As a result, any current official estimate of autumn crops is highly tentative, while a reasonably firm estimate will probably not be available until the end of the year.

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5. The generally upbeat tone of last month's farm output prognosis likely reflects guarded satisfaction with this year's agricultural performance. If grain output reaches roughly 330 mmt this year, the Chinese will have a harvest which is nearly 10 per cent above the five year (1976-1980) average of 305 mmt. While this result is not a record harvest, we consider that it will be seen by the régime as favourable in view of this year's weather as well as the various dislocations which have occurred because of the widespread realignment of managerial responsibility in the countryside and the attendant reshuffling of the country's crop structure.

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6. The régime's satisfaction with 1981 agricultural performance will be tempered, however, by the knowledge that food consumption, still largely based on grain, remains close to subsistence levels. The food-grain consumption of China's roughly 800 million rural population in the record grain harvest year of 1979 amounted to 232.5 kilogrammes per capita. This level was five per cent above that of 1978,

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which was in turn possibly the same proportion higher than in 1977. In 1976, average grain consumption for both the rural and urban population amounted to 214 kilogrammes, a figure which may conceal a somewhat lower average consumption-level in the countryside. China's Minister of Agriculture recently indicated that the grain ration of peasants in 1976 was 72 per cent of the 1980 figure. Grain rations, however, have included animal grain rations, and we have no means of determining how net peasant grain rations for human use relate to official consumption figures for recent years. According to Chinese sources, in both 1976 and 1977, average rural grain consumption appears to have been smaller than two decades earlier. Thus, up until three years ago, the bulk of China's population had received no increase in basic food rations since the time of economic recovery following the end of the civil war in 1949. As the period of economic recovery apparently did little more than restore the grain-consumption levels of the early 1930's, most of China's farmers in 1979 ate little more than their grandparents a half-century earlier. Although total grain output in 1979 was probably double the 1933 level, the population doubled during the same period, with the result that grain consumption per capita has remained constant. We have no evidence that grain consumption rose in 1980 compared with 1979. The quantity of grain consumed per capita this year will probably not differ markedly from recent years, with the result that (once the above unmilled grain consumption figures are netted) each person in China this year will receive little more than one pound of grain per day. For many Chinese farmers, this will be virtually the only food available. (CONFIDENTIAL)

7. In order to maintain even the current low levels of food consumption, China will likely import about 14 mmt of grain for a second year in a row. Much of this total is

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wheat, and is supplied primarily to the urban areas in the eastern provinces, where it apparently represents about one-half of the urban wheat supply. There are no clear indications that China will be able to complete the dramatic managerial changes now proceeding in the countryside, stabilize the crop structure and break through previous record grain harvest levels this year or next. Foodgrains for consumption will therefore remain at low levels for at least the immediate future and require large annual imports of grain. (CONFIDENTIAL)

Development Considerations

8. Chinese discussion relating to a decision to return the field operations of the farm sector to individuals or small groups may date back to early 1979. Such discussion reflected a conviction that the collective farm system had encouraged an inefficient use of arable land and was incapable of providing the incentives necessary to guarantee significant new growth in agricultural output. These changes in the farm sector represent one of the most important shifts in economic policy since 1958. Considerable risk is entailed and we consider that the success or failure of this policy will largely determine the future course of Chinese economic development.

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9. Development policy can proceed as envisaged by the régime provided that rapid growth in animal numbers and in grain, vegetable and industrial crop output can be achieved by greater individual and small group use of public land. Food consumption in the countryside and cities may be increased simultaneously with increased deliveries of farm products for use in industry. Higher delivery levels of wool, cotton, oil seeds, etc. for use in industry will help

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generate greater production of manufactured goods for industrial and farm workers. Increased sales of manufactured goods will generate larger tax revenues for the government, which will then have the funds to modernize both light and heavy industry and thus improve their productivity. Increased productivity in industry will not only directly benefit China domestically, by encouraging more widespread use of industrial goods, but will also help improve the competitive position of Chinese manufactures in foreign markets. (CONFIDENTIAL)

10. This development process depends, however, on the capacity of China's farm resource and technology base to demonstrate that it has significant potential for growth. If experience shows that there is little additional potential for growth, the régime will need to make further far-reaching policy decisions which could include additional reliance on the international grain market.

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11. The current Chinese leadership appears to be banking on the ability of individual effort and initiative to boost farm yields in backward areas of the country to the levels already achieved in relatively high-yield provinces of China. It will take several years for the new operational system in the farm sector to stabilize. Until that time no adequate testing of the potential of the resource and technology base is possible. Time is not on the side of the current leadership, however, and the performance of the farm sector this year will be of concern inasmuch as the forecast to date appears to hint simply at a recovery of grain output to a level close to the 1979 record. Some growth in the gross value of total output (grain plus animals, etc.) is expected but this growth will partly reflect simply the recovery of grain production.

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