FOOD SECURITY IN CHINA (I): THE EVOLUTION OF POST-1978 GRAIN POLICIES

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Executive Summary

1. China's laborious effort to maintain food security to feed its massive population has long been well-known. On 5 March 2015, Premier Li Keqiang in his 2015 government report stressed the government's commitment to continue strengthening its work on food security.

2. Beijing's renewed concern for food security was highlighted in the Medium and Long-term Plan for National Food Security (2008-2020). In this recent pursuit of grain work, the strategic grain reserve is chosen as the major policy instrument to prevent output shortfalls and to fulfil China's recent food security policy goal.

3. China's food security has evolved over time with respect to its goals and instruments. Overall, its post-1978 grain policies may be divided into roughly four phases: 1979-84; 1985-92; 1993-2002; and 2003 to the present.

4. During the 1979-84 period, while grain production quickly recovered as a result of a sharp increase in procurement price, the lack of fiscal capacity became a challenge. A new price control policy was introduced in 1984, the "reverse 30:70 ratio" (*dao san qi*), which resulted in the post-1985 slowdown in grain output.

5. There were two major policy initiatives during the second phase (1985-92). In 1988, to escape years of grain supply instability, the state raised grain procurement price. Towards the end of the 1980s, as bumper harvests again severely affected central finance, the government started to relinquish the two major policy instruments – price control and urban grain subsidies.

6. During the third phase (1993-2002), there was a new effort to centralise grain management and government monopoly to counter soaring prices. The Grain Bureau was entrusted with most grain pricing rights, which seriously depressed the farmgate grain purchasing price. In 2003, China experienced the largest grain supply crisis since 1979.

7. The 2003 crisis forced the government to fully open up its grain market. In the present phase, China’s grain policy reverted to a market-oriented regime. Since 2004 the state has gradually phased out agricultural tax.

8. In recent years, the Chinese government has re-emphasised on enhancing food accessibility by re-building grain reserve to address interruptions in grain supplies in order to stabilise grain market selling price. This requires not only sufficient central financial support but also an efficient storage mechanism.