

HOW SECURE IS CHINA'S FOOD SECURITY?

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Executive Summary

1. With a huge population and a highly unfavorable man-land ratio, China has always been struggling under harsh physical conditions to produce enough food to feed its teeming millions.
2. Chinese rulers, past and present, therefore, have to take to heart the old political adage: “An economy without strong agriculture is fragile and a country without sufficient food-grains will be chaotic” (无农不稳, 无粮则乱). Any serious crop failure would lead to famine and then peasant rebellion and eventually regime change.
3. With the famine of the Great Leap Forward period (1959-62) still fresh in their collective memory, the present Chinese leaders are all the more mindful of the importance of maintaining a high level of “food security”, or “food self-sufficiency” at 95% or more of domestic grain supply.
4. With rapid industrialization along with rapidly declining agriculture, economic theory dictates that China should meet its food self-sufficiency requirement by exporting more labour-intensive manufactured products in exchange for cheaper land-intensive food from America and Australia.
5. However, China is just too big to rely on the economic theory of comparative advantage to achieve its food self-sufficiency. China produces over 20% of the world’s total grain output, while total grain trade is only about half of China’s total food consumption.
6. Should China resort to the world grain market to meet just 10% of its domestic shortfall, this would seriously de-stabilize the world grain markets and drive up world inflation.
7. In February 2011, FAO issued a special alert on the severe drought in North China, suggesting that the potential poor winter wheat harvest could have

serious implications for the world's food prices, as China has ample foreign exchange to buy up any amount of food for its own needs.

8. This FAO's warning looks to be just a false alarm. First, for the past 6 to 7 years, China has lost around 7% of its annual grain output to various forms of natural disasters, and yet its annual grain production has been on the rise.
9. Second, successive years of bumper grain harvests have enabled China to build up a large grain reserve of more than 40% of its annual consumption—much higher than the world average of around 17-18%.
10. In fact, China's food security today is no longer just about providing adequate food consumption in terms of calorie-intake. With growing affluence, China's food consumption has greatly diversified to include more meat and so on.
11. The Chinese government has recently reaffirmed policy of food self-sufficiency, which is increasingly facing two big challenges. First, it will need to continually fight natural disasters, which tend to increase in frequency and intensity with climate change. Secondly, the government is facing an uphill battle in fighting the loss of arable land to urban usages.
12. The government therefore has to continue with its pro-active policies of supporting agricultural development with all sorts of production subsidies and incentives. Chinese agriculture is becoming a high-cost business.
13. The world also has a stake in China's strong food security. But economically speaking, the Chinese people are paying a price for such a policy.