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“Two Sessions” 2023

Trends for China’s agricultural and rural development

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DCZ Policy Brief

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KEY MESSAGES

- Boosting the domestic supply of key agricultural commodities remains Beijing’s top priority amidst growing geopolitical tensions.
- Concerns about domestic grain supply increasingly center on *feed* rather than *food* security. More domestic oilseed production, better feed formulations and livestock management methods are promoted to reduce reliance on feed grain imports,
- An administrative reshuffling intended to boost China’s technological self-reliance will redistribute responsibilities between the Ministry of Science and Technology and the Ministry of Agriculture and Rural Affairs.
- Revitalizing rural areas by developing rural industries and boosting off-farm incomes is seen as essential for China to achieve its vision of becoming a “modern socialist country”.
- Green development and decarbonization were mentioned, but this goal might be difficult to balance with the emphasis on ever-higher grain yields and food self-reliance.

Introduction

A major event on the annual political calendar, China’s “Two Sessions” 2023 concluded on 13 March, following ten days of major political announcements, deliberation of laws, and administrative reshufflings. Named after the simultaneous gathering of the country’s two main political bodies—the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC)—the event revealed new plans for key policy areas, including the economy, trade, and technology. Agriculture, long considered a pillar of national security by Beijing, also figured prominently on the agenda.

This policy brief takes a look at the key themes related to agricultural and rural

issues and discusses how they will inform Beijing’s policy agenda in the months to come.

Doubling down on agricultural self-reliance

Food security is among China’s most fundamental interests, the gathering made clear. In his last delivery of the annual *Government Work Report*, outgoing Premier Li Keqiang labelled food security as one of the central government’s eight priorities for the year ahead.¹ China aims to keep grain output above 650 million tons, the report emphasized—a target that is also specified in China’s current 5-year plan. Since 2015, the country’s grain output has been above target, reaching record highs in 2021/22 at above 680 million tons.

General Secretary of the CCP and President Xi Jinping, who secured a third term at the gathering, further stressed self-sufficiency in the supply of key agricultural products as one of the nation’s “must-haves” in a speech to political advisors at a meeting of the CPPCC. China has always been adamant that as the world’s most populous country it must maintain a high degree of self-sufficiency, but geopolitical uncertainties and the ongoing trade disputes with key trading partners such as the U.S. have added a growing sense of urgency to the debate.

How to increase output levels without further eroding the country’s scarce agricultural resources is, evidently, the crux of the issue. Rather than offering new insights, the gathering reiterated a well-known list of measures, including:

<https://www.yicai.com/news/101693031.html>,
(last accessed 16 Mar 2023).

¹ Yicai (06 Mar 2023): 关于 2022 年国民经济和社会发展计划执行情况与 2023 年国民经济和社会发展计划草案的报告, available online at

- strictly protecting China’s “red line” of arable land set at 120 million hectares;
- strengthening the creation of “high-standard” farmland as well as [protecting the rich, black soils in China’s Northeast](#);
- [developing the nation’s seed industry](#) to reduce dependence on foreign seed suppliers and improve yields;
- supporting agricultural technology, including the [biotechnology sector](#);
- [adopting a “greater food” approach](#) that aims to develop grasslands, forests, and the oceans as additional sources of food.²

To guarantee supply and hedge against the risks of imported inflation, China’s [grain reserve system](#) is to play a crucial role, with government expenditure on grain reserves set to increase by 13.6%. Expenditure is projected to reach nearly 133 billion RMB (19 billion USD) in 2023, up from 114 billion RMB last year.³ High stockpiling levels and a relatively independent grain market have so far cushioned consumers and industry against rising global grain prices, the National Development and Reform Commission (NDRC)—the country’s top economic planner—said in a report to the annual parliamentary gathering.⁴

Yet, Beijing can no longer ignore the alarming gap in feed grain supply. In 2021,

soybean imports, the nation’s key feed crop, edged close to the 100-million-ton mark, although import levels have since been falling due to weaker animal feed consumption and a turbulent global trade environment, affecting logistics and prices. Against this background, continued support for domestic oilseed production was announced as a key policy response. Building on intensive efforts to expand soybean-corn intercropping throughout last year, 2023 will witness further growth in oilseed acreage by another 667,000 ha.

From food security to feed security

Debates at the gathering have, for the first time, seen the term “feed security” rise to prominence. Historically, concerns have focused on “food security”, but it is now becoming increasingly clear that Beijing’s key challenge lies with feeding its animal rather than its human population, as Chinese expert commentary on the sidelines of the event made clear.⁵ According to Liu Yonghao, member of the CPPCC and CEO of China’s well-known agri-business conglomerate New Hope Group, China’s feed and livestock sector has already been feeling the pain. High domestic prices for soybean meal and corn and the vagaries of international grain markets in the wake of the war in

² Wang, Zichen (07 Mar 2023): Xi’s second speech in Two Sessions. In: *Pekingology*, available online at <https://www.pekingology.com/p/xis-second-speech-in-two-sessions>, (last accessed 16 Mar 2023).

³ Zuo, Mandy (06 Mar 2023): China food security. Budget for grain reserves grows by 13.6 per cent amid self-sufficiency push. In: *South China Morning Post*, available online at <https://www.scmp.com/economy/china-economy/article/3212519/china-food-security-budget-grain-reserves-grows-136-cent-amid-self-sufficiency-push>, (last accessed 14 Mar 2023).

⁴ Gu, Hallie (05 Mar 2023): China aims to boost grain capacity under new food security push. In: *Bloomberg News*, available online at <https://www.bloomberg.com/news/articles/2023-03-05/china-aims-to-boost-grain-capacity-under-new-food-security-push>, (last accessed 14 Mar 2023).

⁵ Fan, Jiren; Fang Yanran (06 Mar 2023): 恒生中国首席经济学家王丹：粮食安全政策关键在于饲料安全。 In: *Yicai*, available online at <https://www.yicai.com/video/101693288.html>, (last accessed 15 Mar 2023).

Ukraine have been major challenges for the industry, the business leader said in an interview with national news media in his capacity as CPPCC representative.⁶

Rallying behind the notion of “feed security”, political representatives submitted various proposals that seek to reduce soybean demand from the livestock sector by developing more efficient feed formulations. Promoting China’s forage industry was also touted as a way to tackle China’s feed security issue.⁷ Under the leadership of New Hope Group, a grain-saving alliance consisting of stakeholders from industry and research will focus on feed efficiency, biotechnology, and improved livestock management to ease pressure on soybean imports.⁸

Other proposals have focused on optimizing tariff rate quotas (TRQs). Since its accession to the World Trade Organization (WTO) in 2001, China has operated a TRQ system for key grains such as wheat, rice, and corn. While a very low tariff rate of 1% is levelled at imports within the predefined quota, tariffs at 65% are applied to out-of-quota imports, thus protecting domestic farmers from more competitive imports. Legislative proposals submitted at the 2023 gathering proposed not only to increase quotas for corn and wheat (currently set at 7.2 and 9.6 million tons, respectively) but also to assign a greater share of the import quota to individual companies from China’s agribusiness sector—a move that would diminish the

privileged position of China’s state-owned grain trading companies such as COFCO as Beijing’s grain importers of choice.⁹

Ministry reshuffle highlights importance of science and technology

Science and technology are driving forces in China’s efforts to achieve self-reliance. To further streamline national research efforts and break through bottlenecks in cutting-edge technologies, a *State Council Institutional Reform Plan* was adopted at the gathering.¹⁰ The plan foresees a major restructuring of the Ministry of Science and Technology (MOST) to consolidate its powers and responsibilities while transferring certain responsibilities to other bodies under the State Council, such as the Ministry of Industry and Information Technology (MIIT), which will take over duties related to science and technology industry development.

Technology policymaking for the agriculture sector will henceforth reside with the Ministry of Agriculture and Rural Affairs (MARA), which will also incorporate the China Rural Technology Center previously under MoST. The role of the National Natural Science Foundation of China shall also receive an upgrade, as per the plan. Meanwhile, the creation of a new high-level body, the Central Science and Technology Commission, which is placed under direct leadership of

⁶ Luan, Li (02 Mar 2023): 粮食涨价冲击养殖业, 两会委员代表建议这样“开源节流”. In: *Yicai*, available online at <https://www.yicai.com/news/101690359.html>, (last accessed 16 Mar 2023).

⁷ China’s revised [Animal Husbandry Law](#), in force since 1 March 2023, adds a whole new chapter on pastoralism, singling out forage grass production as a key pathway towards reducing the amount of cropland required for feed production and driving down feed imports.

⁸ Luan, Li (see above).

⁹ Sina Finance (07 Mar 2023): 刘永好呼吁: 进一步提高国内育种能力 这是农业强国的核心要点, available online at https://k.sina.com.cn/article_6501348196_18382b364001012y6e.html, (last accessed 16 Mar 2023).

¹⁰ MARA (13 Mar 2023): 国务院机构改革方案, available online at http://www.moa.gov.cn/ztl/2023lhjj/zdgz_29396/202303/t20230313_6422838.htm, (last accessed 16 Mar 2023).

the CCP Central Committee, will give greater power to the party apparatus.

At the same time, MARA's National Rural Revitalization Bureau, which was only inaugurated in 2021, will be disbanded as a separate entity, the gathering revealed. In charge of promoting rural revitalization and consolidating the achievements of China's anti-poverty campaign completed in 2021, the bureau's mandate will be taken over by MARA, whose leadership with the current agricultural minister Tang Renjian.

The ministry reshuffle has been widely seen by political representatives as a main driver to achieve high-level technological self-reliance and strengthen the implementation of Beijing's innovation-driven development strategy across a number of key fields—from agriculture, to industry, ecology, and health.¹¹

Mobilizing industry to spur rural development

Policymakers at the gathering also vowed to provide more support to boosting rural development. With 500 million people still living in rural areas, China's development goals cannot be achieved without factoring in the countryside and its residents, the newly minted Prime Minister Li Qiang told reporters at a press meeting towards the closing of the gathering.¹² Efforts to modernize the country's agricultural sector have highlighted the need for a more efficient and better trained rural labor force, but the large number of rural smallholders with low education levels no role to play in the transformation of the sector has been a major headache for the

architects of China's agricultural modernization.

To crack the conundrum, policymakers at the gathering reiterated the need to develop rural industries. By expanding agricultural value chains to rural areas and developing new industries such as rural tourism, rural residents will have more opportunities to increase their income from off-farm work, Xi Jinping explained in a meeting with a CPPCC delegation from Jiangsu.¹³ While Beijing claims to have stamped out absolute rural poverty, concerns over how to raise incomes for rural residents and spur rural revitalization remain high on the agenda.

Green development still on the agenda

Green development of rural areas and the decarbonization of the agricultural sector were also mentioned at the gathering. With food systems contributing a third of greenhouse gas (GHG) emissions globally, Beijing is well aware that it cannot ignore the agricultural sector if it is to achieve its dual target of peak carbon emissions in 2030 and carbon neutrality in 2060. Tackling environmental pollution and emissions also ties in directly with the country's ongoing rural revitalization campaign, which seeks to boost the attractiveness of rural areas for tourism and “green industries”.

Proposals by delegates at the event focused on technology, eco-compensation, as well as the revival of traditional farming methods such as combined rice-fish farming to promote a shift towards a climate and environment-friendly agricultural sector.¹⁴ It remains

¹¹ People's Daily (11 Mar 2023): 不折不扣把机构改革任务落到实处, available online at <http://lianghui.people.com.cn/2023/n1/2023/0311/c452482-32641725.html>, (last accessed 16 Mar 2023).

¹² Xinhua (13 Mar 2023): 李强总理出席记者会并回答中外记者提问, available online at

http://www.news.cn/politics/leaders/2023-03/13/c_1129430418.htm, (last accessed 16 Mar 2023).

¹³ Wang, Zichen (see above).

¹⁴ Tencent News (07 March 2023): 两会上的乡村振兴好声音 | 建设生态文明 打造美丽中国, available online at

to be seen how much room there will be for China’s green development agenda amidst Beijing’s overriding concerns about food security and yield increases.

<https://new.qq.com/rain/a/20230307A0AQ0U00>
(last accessed on 20 March 2023).



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