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Federal Ministry  
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German Bundestag



中德农业中心  
Deutsch-Chinesisches  
AGRARZENTRUM

# 2023 No. 1 Document

## China's annual blueprint for agricultural and rural development

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April 2023

DCZ Policy Brief

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## KEY MESSAGES

- In light of multiple domestic and global challenges, China envisages to increase grain production by another 50 million tons and promote the creation of high-quality farmland to bolster food security.
- Further rural revitalization based on “five revitalizations” and prevention of a large-scale return to poverty by offering new employment opportunities and social services are still in the spotlight.
- The document reiterates China’s ambitions to diversify agricultural trade and increase trade resilience.
- Further promotion of digitalization of agriculture and digital village initiatives is encouraged.
- Green agriculture and protection of black soil is also featured.
- The document signals China’s aspiration to become an “agriculture superpower” (nongye qianguo 农业强国).

## Introduction

The Central Committee of the Communist Party of China (CPC) and the State Council jointly released the No. 1 Document on 13 February 2023, entitled “Opinions of the State Council on Comprehensively Promoting the Key Work of Rural Revitalization in 2023” (CCTV, 2023). This is the first No.1 document released, since the 20th CPC congress in 2022 and also 20th consecutive one. In recent years, the global food crisis exacerbated by war in Ukraine, heightened geopolitical tensions, and an increasing number of hazardous climate-induced weather events made this year’s document even more significant to China agricultural policy watchers. Building an “agriculture superpower”, food security, rural revitalization, preventing a large-scale return to poverty, building affordable housing, and creating more employment opportunities in rural areas were the major themes tackled in the document. The document includes 9 major sections and 33 chapters (Rouzi, 2023). This

policy brief goes through the key issues of agriculture, food, and rural development in the document and discusses the implications for the various sub-sectors and stakeholders.

## Food security

Food security is mentioned six times in the document, the highest number to date. Chinese grain security faces ongoing challenges from both the domestic and external environment. Prolonged drought in central China along the Yangtze River and relentless Covid-19 restrictions in 2022 brought significant challenges to agricultural production in China until restrictions were finally lifted nationwide in December 2022.

The ongoing Ukraine – Russia conflict has severely disrupted the production and trade of agricultural products of the two countries, both of which are also major grain and fertilizer producers. Subsequently imposed western sanctions and Russia’s naval blockade have added further pressure to the stability of world grain markets. Although Russia agreed to allow some grain shipments to leave Ukrainian ports in the Black Sea under an UN-brokered deal in the summer of 2022, the long-term viability and implementation of this agreement is still in question (Rouzi, 2022). China is not immune to price volatility and supply shortages in global grain markets. In response to these challenges, China has boosted its grain stockpiles and reduced its key fertilizer exports such as urea and diammonium phosphate (DAP) to insulate domestic demand for these agricultural inputs from external supply shocks (Heberand & Glauber, 2023).

Under these circumstances, the Chinese leadership has not only re-reiterated its

commitment to self-sufficiency in food grains but also increasingly in feed grains, for which China has relied heavily on imports thus far. As in previous years, the No. 1 Document reiterated the commitment to produce more than 650 million tons of grains annually. According to official estimates, China produced 687 million tons of grains in 2022, exceeding the redline target, though some experts were skeptical of the reliability of the data (Donnellon-May & Zhang, 2023). Despite these achievements, the document calls for a campaign to produce an additional 50 million tons of grain annually, reflecting the growing anxiety among policymakers about satisfying increasing demand.

## High-quality farmland cultivation

In order to achieve food security and self-sufficiency in grain production, this year's document outlines plan to upgrade 80 million ha of farmland to "high-quality" by 2030 (Liu, 2023). Gradually, all cropland is to be permanently converted to high-quality farmland. The Ministry of Agriculture and Rural Affairs (MARA) also released a guideline to upgrade 2.33 million ha of cropland annually until 2030, involving measures like field partitioning, installing irrigation infrastructure, etc. (MARA, 2023). However, China's drive for rural revitalization and ever-increasing land demand for the further urbanization and rural industrialization make this goal more elusive to reach. According to a study by China Agricultural University and China's Ministry of Natural Resources, China will reach an urbanization rate of 70% by 2030, while losing 1.33 million ha high-quality farmland (Liu, 2023). The deeply entrenched practice of

land financing, where local governments boost their revenues by selling land to real estate developers and commercial companies (Liu, 2023), poses a serious challenge to keep the farmland from shrinking. Given the importance of the real estate industry and the dynamics of urbanization, it will be interesting to observe whether and how Chinese policymakers will be able to align these competing interests and policy goals.

## Agricultural trade

In 2022, Chinese agricultural imports stood at 236 billion USD, an increase of 7.4% compared to 2021. Its exports, on the other hand, stood at 98.2 billion USD, up 16.5% compared to 2021 (MARA, 2023). With a negative agricultural trade balance of 137.8 billion USD, Chinese agricultural imports have consistently exceeded its exports, signaling greater Chinese demand for agriculture

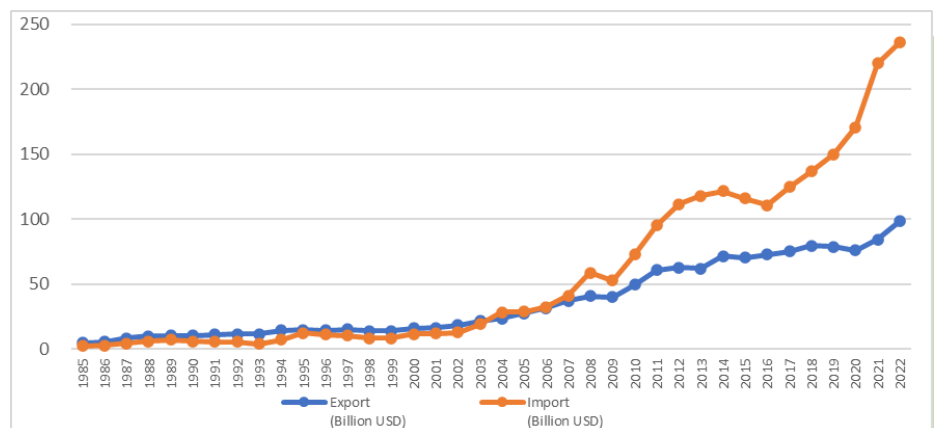


Figure 1: Food export and import of China 1985-2022 (NBS, 2022)

products from other countries (Fig. 1). Brazil and the United States were two top agricultural import sources for China, with an import volume of 50.8 billion USD and 40.9 billion USD respectively in 2022 (USDA, 2023).

While overall grain imports measures by weight decreased by 10.7% in 2022, imports by value increased by 13.7% in the same period. This is due to the Chinese Yuan's depreciation against the US dollar and other

major currencies in 2022, making foreign imports more expensive (Grain central, 2023). For feed grain, soybean and corn imports stood at 91 million tons and 20.6 million tons, respectively, representing a decline over previous years' import level. This decline can be attributed to Chinese efforts to become

quotas for corn and wheat to optimize WTO quota system and allow more agri-business companies in the importation of grains (Boehme, 2023) which would reduce the dominance of state-owned agri-business companies like COFCO.

Although China has been striving to be self-sufficient in grain production, well-known economist Jikun Huang argued that Chinese imports of critical grains from more resource and agriculturally efficient countries like Brazil, Australia, and the United States has

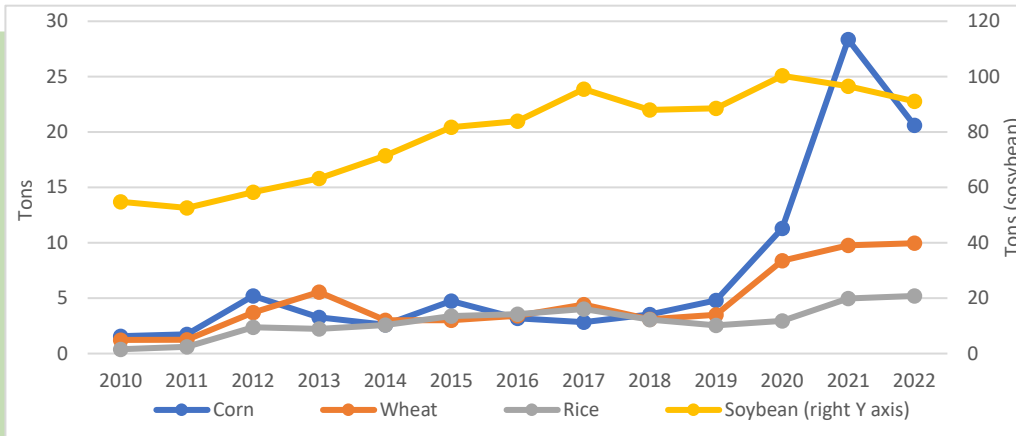


Figure 2: China grain imports 2010-2022 (Statista, 2022)

self-sufficient in these crops by expanding cultivation into new regions in the country. On the other hand, food grains like wheat and rice showed slight increases in 2022 compared to 2021 (Fig 2), which can be attributed to the toll of Covid-19 restrictions and weather disasters occurring in the major wheat and rice producing regions of China in 2022.

The high government expenditure on grain stockpiling through domestic production and imports shielded China from the worst impact of the global grain market turmoil in 2022. However, Chinese agricultural policymakers are still concerned about volatile international grain markets, which have been hit hard by the ongoing war in Ukraine, climate-induced weather events, currency fluctuations, and pervasive inflation in the major food exporting countries. Some argue that in addition to grain security, feed security should be high on the agenda for staple feed crops like soybean and corn. Legislative proposals were submitted to Chinese people's national congress to increase import

eased pressure on Chinese water and soil resources and positively contributed to China's natural environment (Huang, 2022). As shown in Figure 3, costs of corn and soybean production in China was twice as high as in the United States in 2019 (Zhu, et al., 2021) and heavily reliant on government subsidies. This suggests that China's self-sufficiency drive in grain production may well come at the cost of its environmental goals.

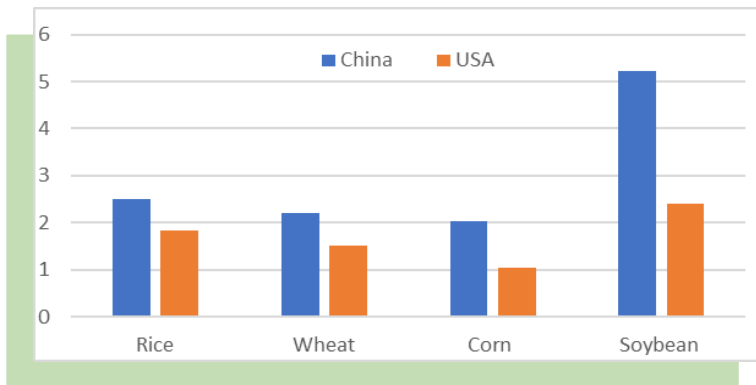


Figure 3: Comparison of production costs (in RMB) per kilogram of four major grains between China and the US, 2019 (Zhu et al., 2021)

## Rural revitalization

Since the release of the Strategic Plan for Rural Revitalization 2018-2022 in 2017, rural revitalization has been high on the agenda. This year's document emphasizes creating more employment and improving social services in rural areas. It also reiterates last year's call for fostering industrial development at the county level. The rapid industrialization and urbanization of China after the 1980s left many rural areas and residents behind their affluent urban and coastal counterparts in earnings and social progress (Rouzi, 2022). Although the government-led effort to eliminate absolute poverty was claimed a success in 2020, rising inequality and relative poverty still plague rural areas in China. A policy focus on attracting industry to counties now seeks to address this legacy of uneven urban-rural development.

The document also stresses that labor force of rural residents lifted out of poverty should be kept at more than 30 million and a large-scale return to poverty strictly avoided. Bringing new industries to rural areas is hoped create employment opportunities. The gaps in infrastructure development, lack of opportunities, and discriminatory household registration practices (hukou) seen as major hurdles to revive rural communities (Mankikar, 2022). However, Chinese efforts

to address rural decline are worth paying attention to as similar issues also plague many advanced economies.

## Agricultural digitalization

The limited arable land and water resources, the smaller farm sizes, and the lower efficiency of Chinese agriculture has made digitalization one of the few viable solutions to food security and rural revitalization efforts. The fast adoption of rural e-commerce in China is benefiting farmers and rural areas as evidenced by the success of Taobao villages in creating employment and extra income channels for rural residents. Digital villages are also recognized in the document for their contribution to rural economies and livelihoods as well as for building beautiful villages and village culture.

Despite the much-touted successes of digitalization, there are still many issues to be improved and addressed. The digital infrastructure gap between China's developed coastal areas and its interior and western regions is still huge, requiring concerted efforts to close these gaps. The lower digital literacy among the rural elderly population still poses challenges to the development of digitalization efforts. More improvements can be made in technology standardization as well as in data privacy and protection. Greater grass-root based participation in the various digitalization efforts could make their development more inclusive and sustainable.

## Green agriculture

Green development of agriculture is also featured in the document. For example, it calls for "accelerating the promotion and application of technologies that reduce agricultural inputs and improve efficiency". There are also calls to increase the protection of China's black soils. Researchers in

CAS (Chinese Academy of Science) made contrary argument with caveat in their *Nature* article that previous afforestation, anti-desertification and ecological restoration efforts in the northern China might have compromised food security by building shelter belt forest which replaced croplands and reduced local incomes (Wang et al., 2023), therefore future environmental protection efforts should be carefully considered and well balanced. The reaching net zero emission in the agriculture without sacrificing food security to fulfill Chinese pledge to be carbon neutral by 2060 would be yet again a great conundrum Chinese policy makers have to be reckoned with in years to come as many other countries in the world.

## China as “agriculture super-power”

This year’s document lays out a vision of turning China into an “agriculture super-power”. Newly introduced at the 20th CPC congress, the term’s meanings are still vague, but discussions in policy circles suggest that the term puts the focus on building diversified and self-reliant food supply chains. Turning China into an agricultural super-power also closely hinges on the so called “five revitalizations”, including the revitalization of production, talent, culture, ecology, and organizational governance in agriculture and rural areas.

Although the document does not set any specific dates or parameters set to reach this goal, the term signals the increasing geopoliticization of food security in a new global environment increasingly defined by great power competition. As the largest agri-food consumer and importer with limited arable land resources, China has a vested interest in the stability and sustainability of the international agri-food order. Chinese strategy of optimizing the national-global duality in the agri-food sector epitomized by dual

circulation and contradiction it will entail (Zhan, 2022) is going to have profound implications for the global stakeholders that has to be followed closely. How China is going to respond to geopolitical competition in the realm of food is going to have far reaching consequences beyond its borders which deserves more attention and closer scrutiny from everyone involved.

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