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New Zealand Agricultural and  
Resource Economics Society (Inc.)

## China's Agri-food Trade

**Allan Rae**

Centre for Applied Economics and Policy Studies,  
Massey University

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## China's Agri-food Trade

*"We possess all things. I set no value on  
objects strange or ingenious, and have no use  
for your country's manufactures"*

Emperor Qian Long (1736-1795) in a letter to  
the king of England.

Allan Rae

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### Some background

- China has long been a trading nation
  - >2000 years; Silk Road
- Tea exports to Britain
  - 1684: 5 chests
  - 1800 : 10,500 tonnes
- Opium imports from the British
  - 1729: 200 chests
  - 1838: 40,000 chests
- Imported plants : China now leading producer of peanuts, maize
- Positive agri-food trade balance most years since 1949
- WTO accession in 2001
- Trade balance turned negative from 2003...

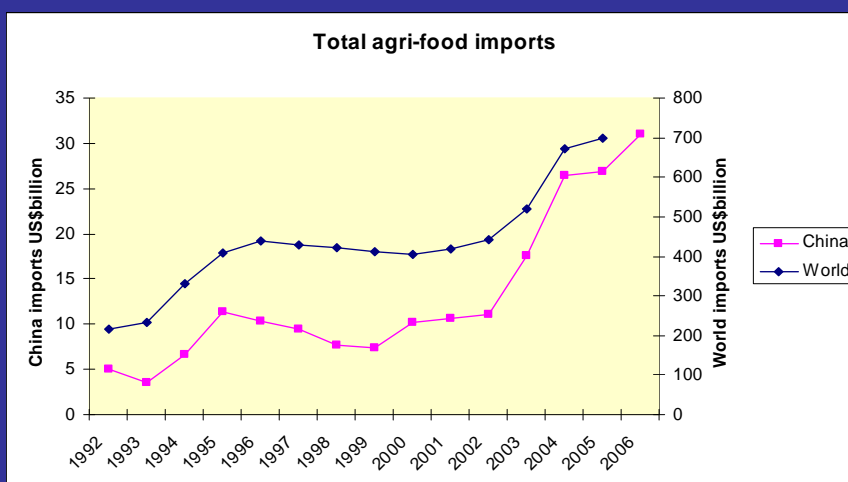
### A common perspective may be...

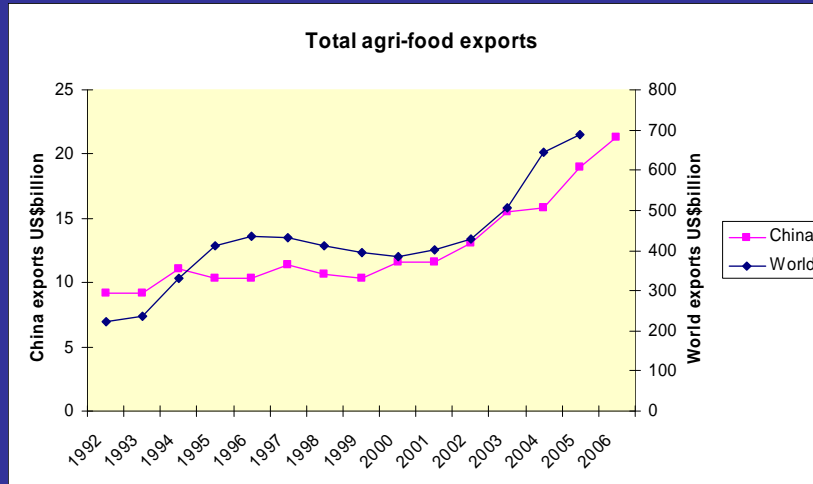
- Rising affluence and urbanisation
- Changing food consumption patterns
- Rising imports of protein-rich and value-added foods from the developed world.
- Is this the reality?

Since WTO accession, export growth has increased, but imports have boomed

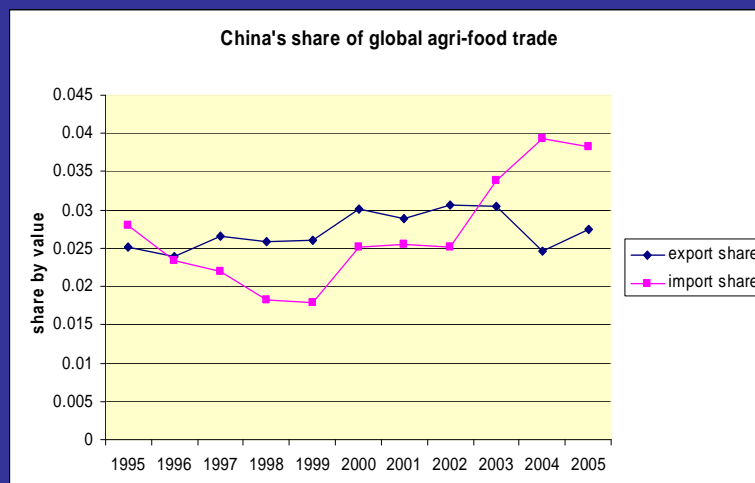


Import growth out-pacing global growth





...therefore share of global imports is rising



## Commodity Composition of China's Agri-food Import

**Growth** : largely driven by industrial boom and the livestock sector

Commodity	Change 2002-2006	Share of change
	US\$million	%
All agri-food	19,848	100
Soybeans	5,006	25.2
<b>Cotton</b>	<b>4,687</b>	<b>23.6</b>
<b>Natural rubber</b>	<b>2,335</b>	<b>11.8</b>
Processed food other than dairy & meats	1,871	9.4
Palm & soybean oil	1,754	9.2
Horticulture	958	4.8
<b>Raw hides &amp; skins</b>	<b>727</b>	<b>3.7</b>
Animal feeds	526	2.6
<b>Wool</b>	<b>445</b>	<b>2.2</b>
Cereals	339	1.7
Dairy	329	1.7
Meats	56	0.3

3 commodities explain 60% of import growth

Industrial demands account for 41% of import growth

## Country Composition of China's Agri-food Import Growth: basically a 3-4 country story

Country/Region	Change 2002-2006	Share of change
	US \$ million	%
World	1,9848	100
ASEAN 10	5,292	26.7
USA	4,516	22.8
Brazil	2,660	13.4
Argentina	1,507	7.6
South Asia <sup>1</sup>	1,099	5.5
EU25	910	4.6
Australia	865	4.4

63% of the import growth supplied from these 3 sources

Just 4 trade flows account for 42% of import growth

1. India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan

### Commodity Composition of China's Agri-food Export Growth: expansion is a horticultural story

Commodity	Change 2002-2006	Share of change
	U\$million	%
All agri-food	8,155	100
Horticulture	2,623	32.2
Processed horticulture	2,024	24.8
Meats	652	8.0
Beverages	493	6.0
Miscellaneous edible processed foods	450	5.5
Preparations of cereals etc	407	5.0

57% of growth due to horticulture

### Country Composition of China's Agri-food Export Growth

Country/Region	Change 2002-2006	Share of change
	U\$million	%
World	8,155	100
NE Asia <sup>1</sup>	2,578	31.6
EU25	1,368	16.7
USA	1,210	14.8
ASEAN 10	776	9.5

40% of growth to near-Asian countries

<sup>1</sup>. Japan, Republic of Korea, Hong Kong and Macao.

## Summary of recent trade reforms

- China's average agricultural MFN tariff has declined:
  - from 18.5% in 2002 to around 15% in 2005.
  - But the decline in China's agricultural tariffs had commenced prior to WTO accession – in 1997 average agricultural tariff was around 33%.
- TRQs
  - For major grains & soybeans in 1996
  - Soybeans TRQ removed in 2002 & tariff = 3%
  - Vegetable oils TRQ removed in 2006
  - Cotton TRQ from 2002, but quotas significantly increased 2003-05
  - Also wool and sugar TRQs
- Rubber had been restricted by quota, these removed in 2005 & tariffs reduced
- STEs still involved in importing
- But private firms can access portion of quotas
  - 40% of maize, 67% cotton, 30% sugar

## What's driving imports?

- WTO accession – agricultural reforms?
  - Anderson projected only “modest” import impact, equiv. to 1% annual imports
- WTO accession: FDI?
  - FDI grew 10.5% p.a. 2000-2005
  - But also grew 10% p.a. 1993-98
  - Contributes to industrial growth
    - E.g. 2 million vehicles made before 2000, 6 million by 2005
- Removal of MFA quotas?
- Opening quotas to private trade?
- Expansion of cotton quota?

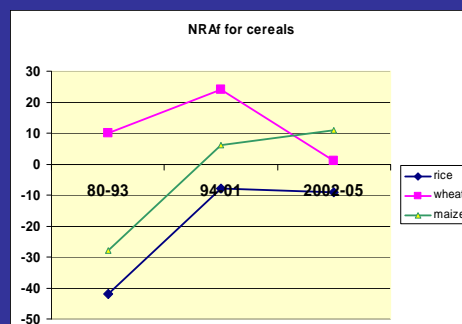
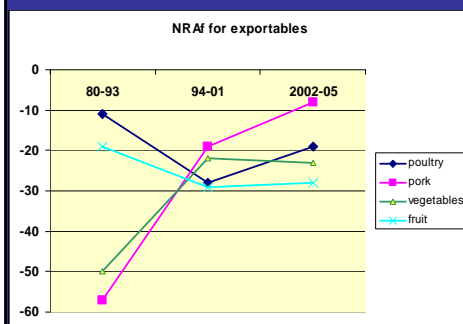


## Incentives & distortions

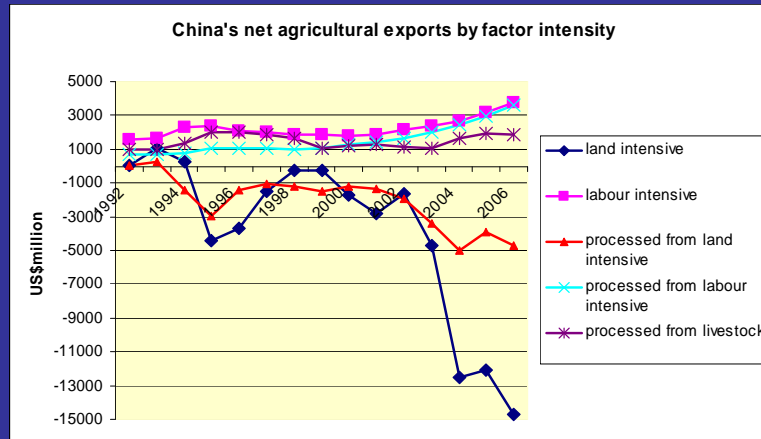
- Industrialisation partly financed by transfers from Agriculture (Mao)
- Producers taxed from agric & trade policies in early reform years (rice, maize, cotton)
- Producer prices had been depressed due to compulsory purchases (grains, cotton)
- Positive protection to import competing (sugar, milk)
- SPS regulations of importers have restricted meats & FV exports
- New support policies for maize
- Now, China's agriculture is one of least-distorted globally
- PSE of 8% in 2005 (OECD 2007).

## Nominal rates of assistance: farmer versus border prices (Huang et al. 2007)

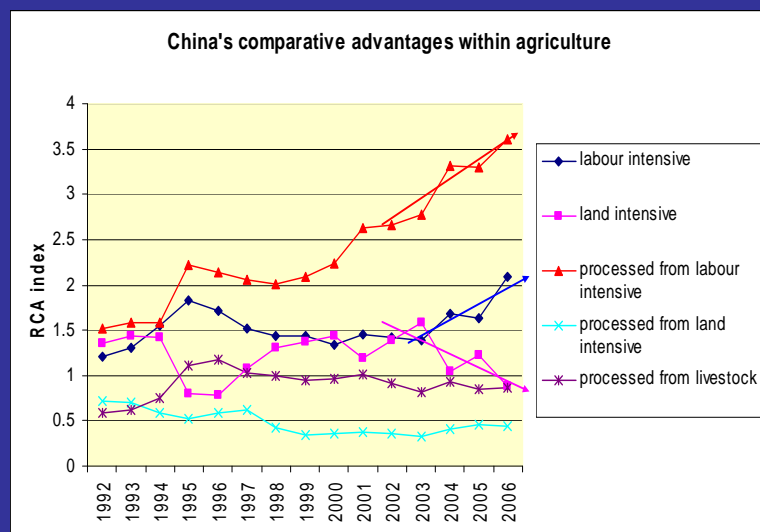
- includes border & domestic market distortions -

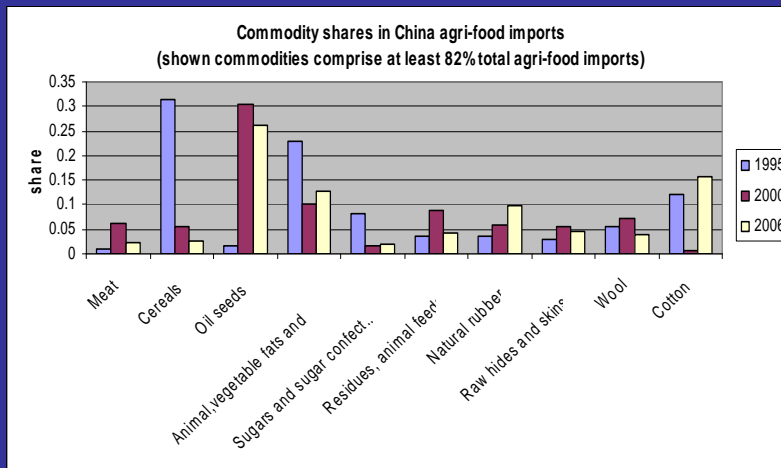


## Export labour-intensive: import land-intensive

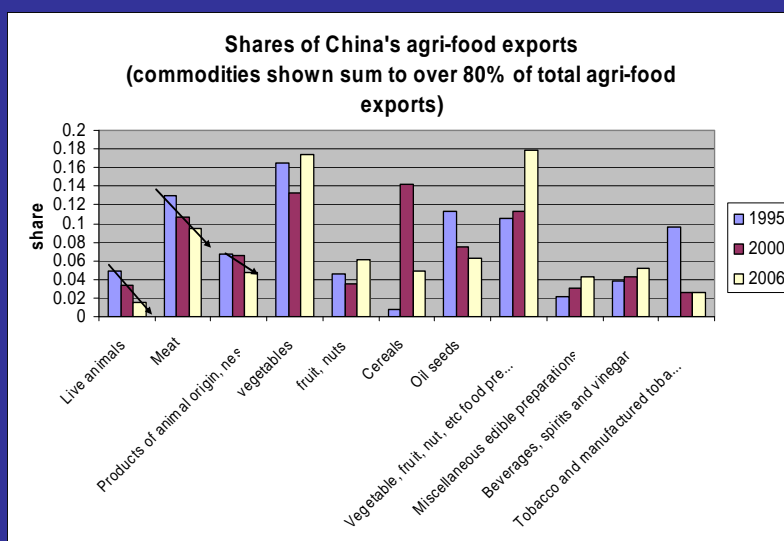


## ...and this reflects underlying trends in comparative advantages





**Note share of total animal products declining: & growth in vegetables, fruit & processed**



## When will China import coarse grains?

- For some time, researchers have predicted this, but didn't happen
- More recently, OECD (2005) projected coarse grain imports of 12 mt in 2006
- Actual (Comtrade) was exports of 3.11 mt, and net exports of 0.88 mt
- Maize the main export – barley the main import

## Net imports of maize vs meats (grain equivalents)

*NE Asia = Japan, Korea & Taiwan*  
*In last two years, China's net exports of maize : 8.6 and 3 mt*

