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The 9th Session Of AMIS IG


Policy Developments of China Maize Production and Stock Holding

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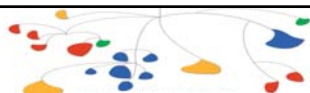
Agricultural Information Institute of Chinese Academy of
Agricultural Sciences (AII of CAAS)

23 June 2016, FAO, Rome, Italy

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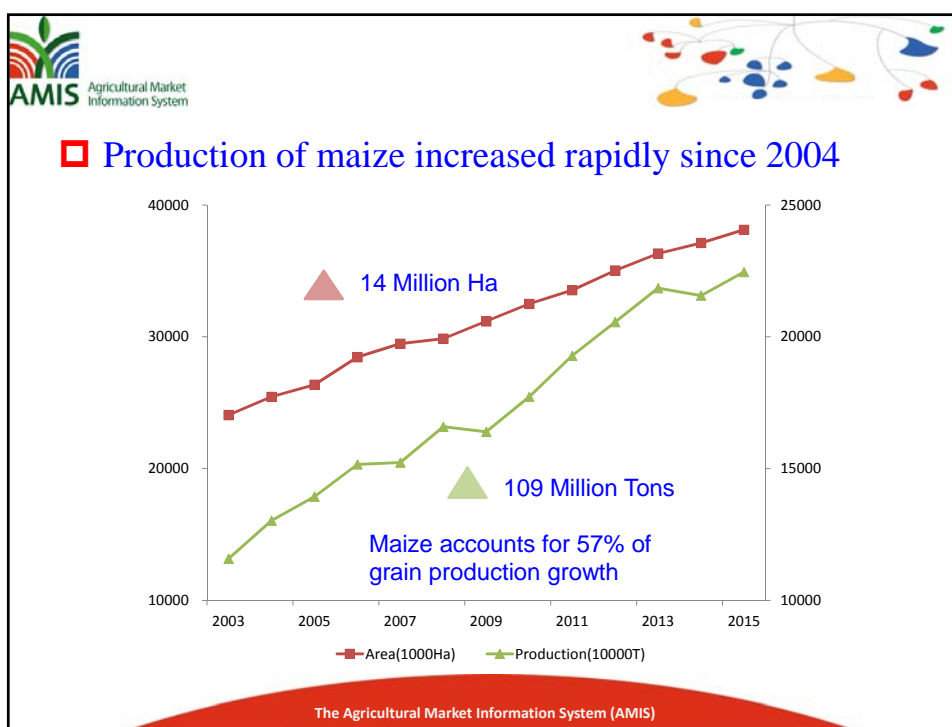
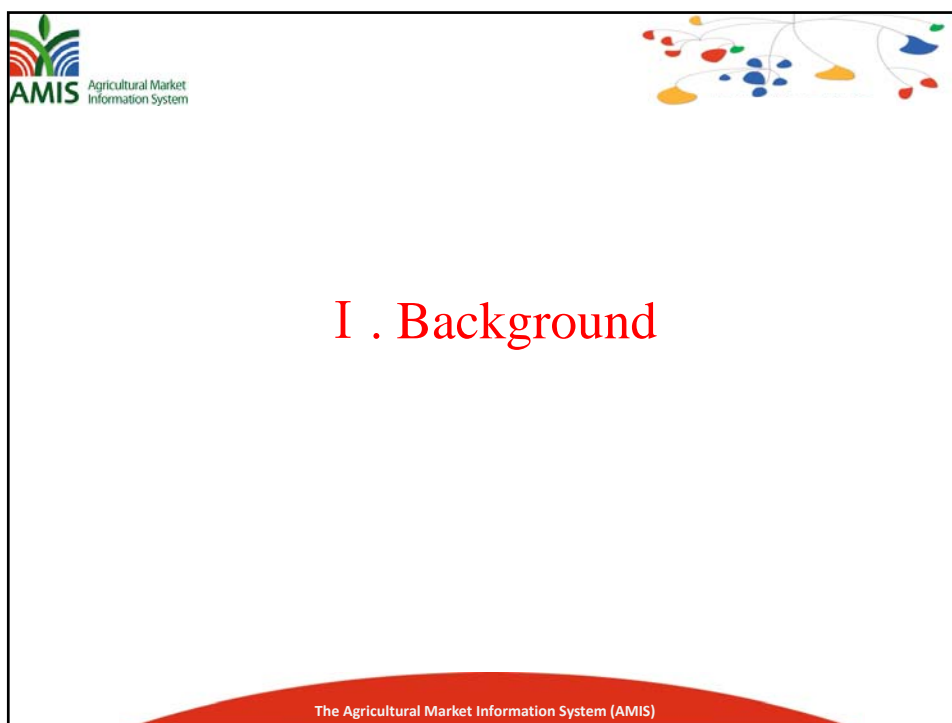
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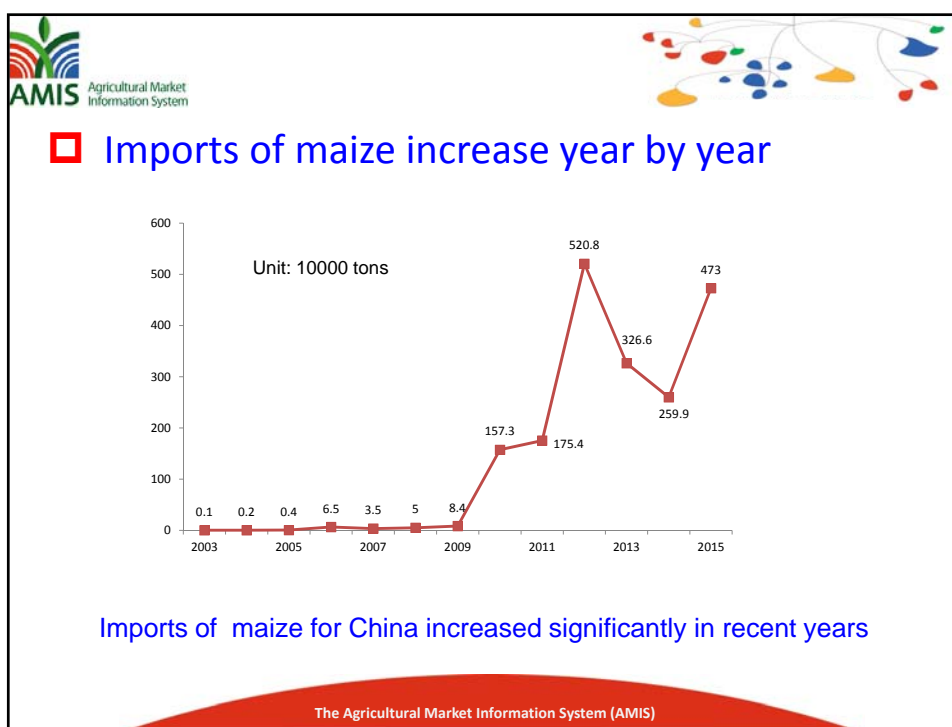


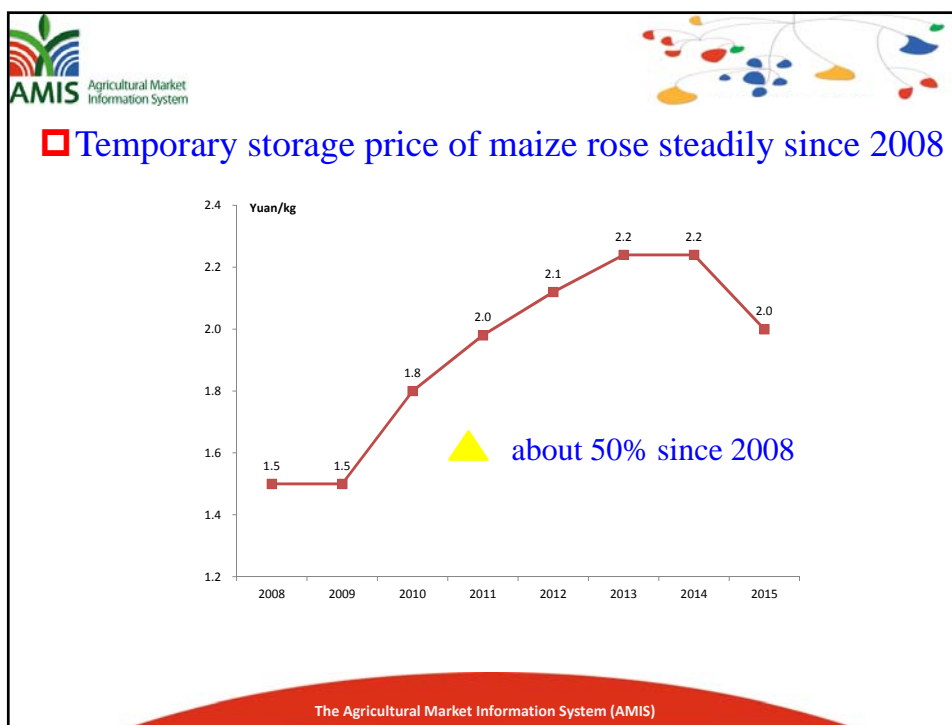
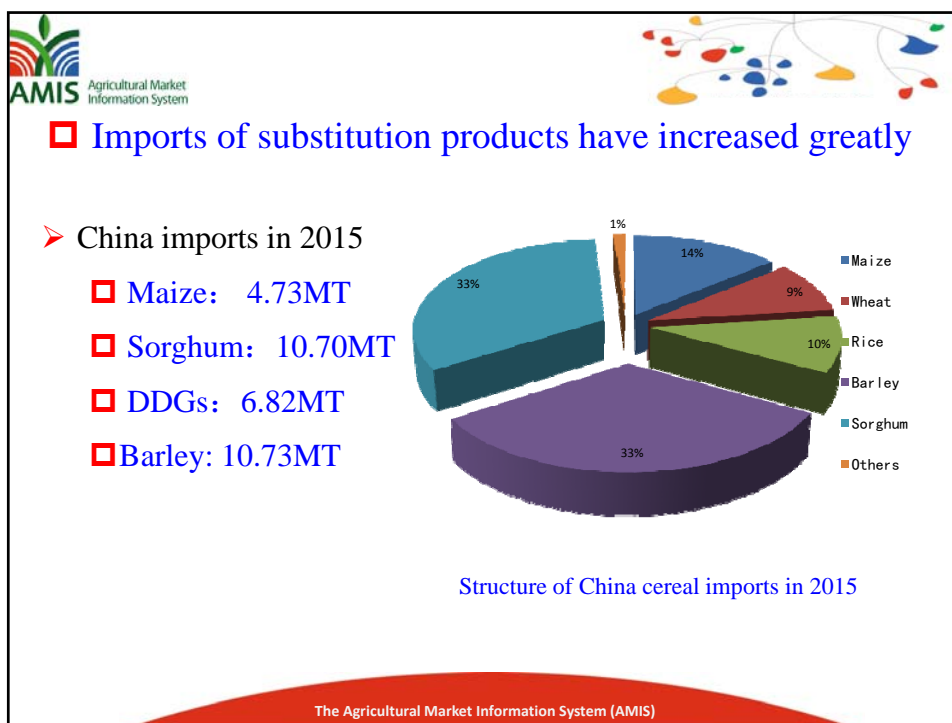



□ Consumption demand of maize is insufficient

- Supply and demand of China maize have achieved self-sufficiency since 2007.
- Affected by the economic slowdown, feed use declined and industrial use decreased in the last few years. Maize consumption growth can not keep up with the pace of production growth.
- Starch industry of maize has been depressed in recent years.
- Alternative product consumption is significant.

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- In October, 2015, China government has formally issued a document of "*CPC Central Committee and State Council on promoting the reform of price mechanism*" .
- It proposed to improve the pricing mechanism for agricultural products, pay attention to the formation of the market price action, reform and improve the corn purchasing and storage system.

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❑ The level of maize stock is high

- Affected by temporary storage policy, coupled with price difference between domestic and international market widening spreads, and consumption areas prices dropping away from the prices of maize production areas, all kinds of grain market players are not willing to store grain. Thus, the pressure on the stock transfers to the state storage, forming old stocks not going out and new stocks rapidly growing.
- A huge amount of maize stocks not only spend a lot of financial resources, but also need to pay a huge inventory costs annually.
- China market is facing the contradiction that production, imports and stocks simultaneously increase.

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II . Introduction of Latest Policy on Maize

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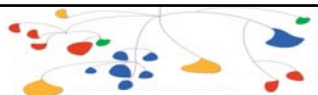


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- The government of China integrated 3.5 billion Yuan(RMB) to support the reform of maize structure adjustment, subsidizing the modification of grain crops to feed crops and the rotation of maize and soybeans.
- The purpose is to ensure farmers' income and earnings of soybeans planting and feed crops planting are equal to the revenues of maize planting in the past.

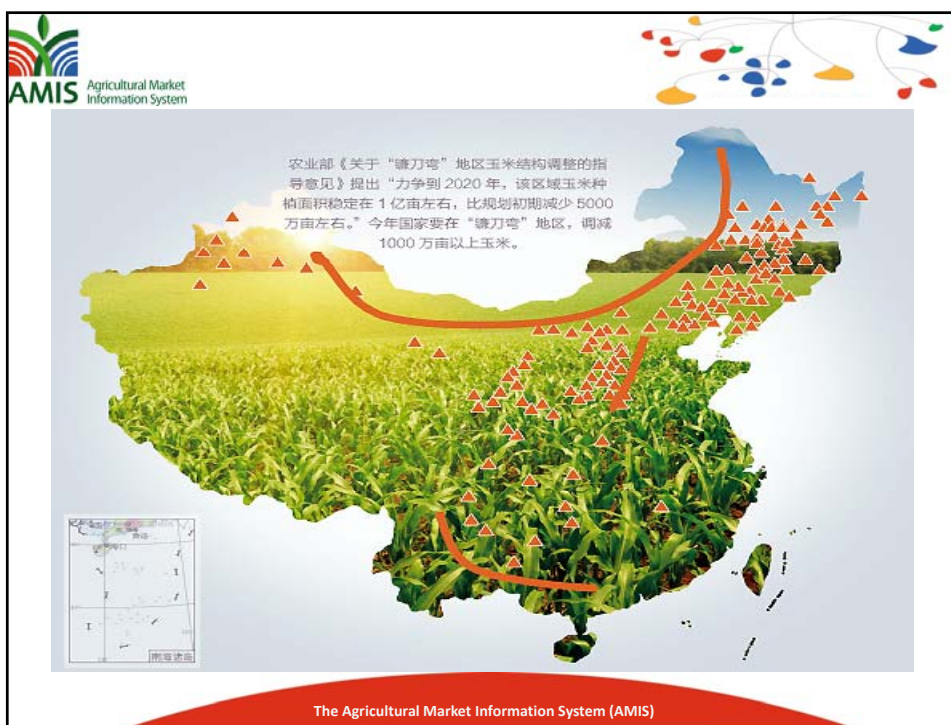
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How to adjust the structure of maize

- The overall consideration is to consolidate the traditional advantage of maize production areas, appropriately scale down the areas of non dominant maize production area.
- The zone (“Lian Dao Wan”) relates to 13 provinces including Hebei, Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang and other provinces. It is not only the most areas of maize plant increasing, but also the fastest growing regions in the past decade.

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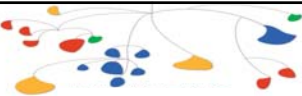





➤ Regarding to the objective of maize adjustment, MOA of China issued the *guidance on maize structure adjustment in “Lian Dao Wan” area*.

➤ In the document it shows the area of maize production will reduce more than 50 million acres (3.33 million ha) in the future five years (from 2016 to 2020), and plan to decrease 10 million acres (0.67 million ha) of maize sown area in 2016.

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❑ The focus and direction of maize structure adjustment in five areas

I. Northeast Cold Zone

➤ Through market guidance and policy support, the areas of originally not suiting for maize make way to expand grain and soybeans rotation and "Grain to feed" scale.

➤ Inner Mongolia, Heilongjiang and Jilin in conjunction with the requirements of the regional development of animal husbandry, develop corn silage, expand forage grass and rape planting, and plant alfalfa and other forage crops in order to meet the demand of livestock development for quality feed.

➤ Continue to play the traditional advantages of the Northeast soybeans, recovery grain and soybeans rotation mode.

➤ Strive to 2020 for reducing more than 10 million acres of maize sown area.


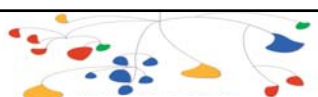
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II. Northern farming-pastoral zone

- Combined with animal husbandry development needs, four northeastern provinces plant traditional advantages of soybeans, peanuts, coarse grains and beans, develop corn silage, grain and soybean rotation, peanuts and coarse grains, and actively develop the forage and silage rape.
- Northern Hebei, Northern Shanxi and central Inner Mongolia to develop drought-tolerant coarse grains and beans, potatoes, fruits, and Shaanxi and Gansu pastoral transitional zone is to develop coarse grains.
- Strive to 2020 for decreasing more than 30 million acres of corn sown area.


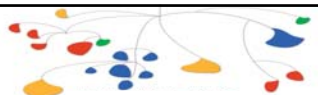
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III. Northwest arid region

- The Hexi corridor region with better irrigation conditions, is to develop corn seed industry.
- Ningxia, Inner Mongolia Hetao irrigation area, gradually reduce the corn planting with high water consumption, and develop flax, sunflower, rapeseed and other forage crops with less water consumption.
- Xinjiang autonomous region mainly develops silage corn and alfalfa to meet demand of animal husbandry for quality feed.
- Strive to 2020 for reducing 5 million acres of maize sown area.


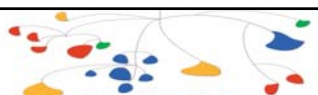
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IV. Taihang Mountain area

- To develop drought-resistant coarse grains, beans and silage corn with a short growing period.
- To develop valley economy, promote integration development of characteristics of planting and breeding industry (chestnut, walnut, hawthorn, vegetables, herbs and others), processing industry and leisure services, and improve the revenues of agricultural production.
- Strive to 2020 for decreasing 2 million acres of maize sown area.



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V. Southwest Desertification Region

- Combined with the implementation of the National Policy of returning farmland to forest and grassland, reduce the sown area of maize in hillside and the lack of irrigation assurance zone, actively develop coarse grains and beans, tea, walnuts, tea, herbs, etc., improve grazing land, develop hemp fodder, feed mulberry, feeding oil and artificial turf, support the development of local animal husbandry.
- Strive to 2020 for decreasing 5 million acres of maize area.


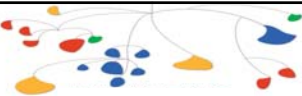
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□ The path to restructure for maize

- Firstly, the suitability of land transfer. Focus is to reduce high latitudes and arid areas of corn, switching to drought-tolerant coarse grains, beans and silage maize with a short growth period.
- Secondly, combination planting with breeding to restructure. To develop silage corn and alfalfa, expanding the “barn” to “barn” + “meat stores” + “milk tank.”
- Thirdly, restructure with ecological protection. Reducing rocky desertification area of maize and switching to eco-conservation function of mulberry tea, forest, pasture and other forage. not only to protect the ecological environment, but also increase farmers' income.

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- The fourth, to support farming in combination tone. Focus is recovery soybean and corn crop rotation in the Northeast.
- The fifth is to keep balance of adjust. At the same time reducing maize area in non-dominant region, stable the advantage of the main production areas of maize, and strengthen the construction of high standard of farmland, strengthen extension of science and technology, enhance the ability of corn production.
- Lastly, market –oriented adjust. Play the key role of leading enterprises and new business entities, develop orders combined with breeding, production and sales.

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□ Corn target price policy


- It will be adjusted to the policy for market purchasing maize plus "subsidy" new mechanism in the three northeastern provinces and Inner Mongolia Autonomous Region in 2016.
- "Market-oriented purchase" means the price of corn is decided by the market, reflecting market supply and demand. Producers follow the market to sell the corn, all kinds of market players purchase it according to market price.
- Currently, the MOA is working DRC, MOF and other relevant departments to implement the reform measures to protect the interests of farmers and ensure steady development of agriculture and food production.

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III. Policy Implications

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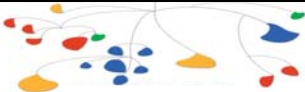


- The sown area of maize will reduce more than 1 million ha in “Lian Dao Wan” area of China in 2016.
- Price subsidy policy is only applicable to the Northeast and Inner Mongolia Autonomous Region
- The stocks of hogs increases in 2016 due to high pig meat price, which will support the feed use of maize.

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Thanks !

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