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China targets green, branded food products as part of farm reform

The policy document suggested that local producers in China's are struggling to compete with imports because of high production costs and inventory.



Farmers collect corn for a cargo at a farm in Gaocheng, Hebei province, China. (Reuters File Photo)

China will promote high-quality, branded farm products as it reforms its agricultural sector to meet demand from a growing middle class and boost rural incomes, the government's first policy statement of the year shows. Beijing is trying to modernise its sprawling farm sector, the world's largest, and rebalance output away from basic grains towards foods such as meat, dairy and other value-added products increasingly in demand from its urbanising population.

But the policy document published late on Sunday suggested that local producers in the world's second-largest economy are struggling to compete with imports because of high production costs and inventory.

Known as the “number one document”, the statement sets out Beijing’s priorities in rural policy for the year.

It reiterated earlier plans to modify the crop structure, encouraging farmers to grow less grain corn and more soybeans, corn silage and alfalfa for livestock. Analysts said the document underlined the challenge facing the government as it seeks to boost farmers’ incomes and ensure food supply for China’s 1.5 billion people while preventing over-production of grains as the pace of demand growth slows.

But they expressed disappointment that it didn’t include specific measures that would improve farmers’ incomes, which have fallen in recent years as living and farming costs have increased.

“The document is significant, but effective implementation is the key,” said Ma Wenfeng, analyst at Beijing Orient Agri-business Consultant Co Ltd. “Farmers’ incomes have fallen significantly in the past few years, the whole society is getting poorer and demand and consumption are down sharply.”

The government said it plans to promote new channels of demand for corn to help digest excess stocks, built up after years of buying from farmers to support their income.

After abandoning the policy last year, it still has an estimated 200 million tonnes in warehouses, according to some estimates, much of poor quality.

Meanwhile it will promote local and specialty products and geographical indications as well as organic products, with favourable taxes for start-ups in rural areas and innovation centres to support high quality produce.

It will also encourage exports, and support companies to set up overseas production bases, particularly in countries that are part of its Silk Road initiative.

Beijing will also make use of anti-dumping and other measures to protect its producers, said the document.

It placed significant emphasis on making agriculture more environmentally sustainable, promoting major water-saving programmes through technology such as drip irrigation, tackling overuse of pesticides and strict standards on

handling manure as well as use of more technology such as large-scale biogas digesters.

Reforms must however “ensure that grain production capacity is not reduced, the income of farmers is not reversed and rural stability is not a problem”, added the document.