

China's agricultural stagnation means food shortages ahead

by Ramtanu Maitra

Feeding a billion people is not an easy task. It becomes even more difficult when arable land area is limited and cannot be expanded without large-scale development of capital-expensive infrastructure. This is the dilemma China faces today.

After years of steady growth in cereal production (see **Table 1**), China's total cereal output, particularly rice and wheat, got stuck in 1984. Aggregate production of grains, which also include soybeans, pulses, and tubers, in 1988 is expected to fall by some 2.5-3%, according to the latest U.N. Food and Agriculture Organization estimates. Rice paddy output, the all-important cereal in China, is currently forecast at 171 million tons, about 3.5 million tons below last year's harvest, which itself was nearly 8.0 million tons less than the high of 1984.

Climatic conditions—drought following excessive rains in the southern parts of the country—have been blamed for the shrinking output. But China's problems go beyond the vagaries of uncertain weather, which has always been a bane to Asia's agriculture.

The implications of China's agricultural stagnation are awesome. In spite of the modernization drive, and some success in enhancing industrial production and export of various manufactured products, China will remain an agro-industrial nation if for no other reason than demographic compulsion. Like India, China has a huge rural population (more than 800 million Chinese live in the countryside) whose items of consumption are very basic—foodgrain is the principal one. Recently, China's State Council for Development Research said that by the year 2000, foodgrain production will

have to reach 530 million tons—a 50% rise—to supply the population with food.

Any food shortage on a sustained basis will create social chaos, throwing China into instability. The tell-tale signs are already there. China had stocked up 64 million tons of foodgrains as of 1985, but according to FAO estimates, that stock will have dwindled to 39 million tons in 1989. Within this four-year period, China will be exhausting 40% of its foodgrain stock due to stagnation-caused shortages. At this rate, by 1995, China will have insignificant foodgrain stocks to rely upon.

Why not import?

The obvious solution to such a problem is to buy foodgrains from the world market to shore up stocks and meet production shortfalls. The problem is that world foodgrain stocks lie mostly with those nations that cannot afford to export; they need those stocks for their own food security. Total world cereal stocks, in fact, are below the minimum necessary to assure security in the face of emergencies, not to mention supporting a major new import demand for 1 billion people.

For example, milled rice, the main cereal consumed in China, is only exported by a handful of nations, of which Thailand and the United States can be considered foremost. According to the FAO, only 11.2 million tons of milled rice will be available from the main exporters in 1989. If China's foodgrain production continues to stagnate, and there are indications it will, by 1995 that meagre 11 million ton sur-

TABLE 1
Cereal production in China, 1975-88
(in 1,000 tons)

Crops	1975	1984	1985	1986	1987*	1988**
Rice paddy	128,827	181,193	171,479	175,200	177,200	173,800
Wheat	45,313	87,817	85,812	90,000	87,800	87,500
Coarse grains	70,483	96,974	83,004	87,300	97,300	92,400

*Estimate

**Forecast

Source: U.N. Food and Agriculture Organization.

plus, or even twice that amount, would not be able to solve the problem. Should China choose to buy every year, exportable milled rice will vanish, posing a danger to other nations that may require emergency food supplies. Moreover, with the Soviet Union mopping up 40-50 million tons of wheat and coarse grain annually from the world market, and with the United States and Europe cutting back production, China may also find it increasingly difficult to procure surplus wheat.

Furthermore, China is building up foreign debt fast, a development which may eventually cripple its capability to make decisions freely. In 1984, China's foreign debt was less than \$300 million, but in 1986 it stood at \$17.2 billion. Although exports have soared (to about three times that of India), so have imports, and China's inability to generate resources from within is slowing down infrastructural development—the key ingredient for increasing productivity. Most of the foreign capital that China is borrowing presently is being invested to generate more exports so that more imports can be negotiated and debt can be repaid. It is a syndrome which, by definition, will increasingly preempt the investments necessary to break through the impasse in agriculture.

Brakes on production

The problems with China's agriculture stem from the fact that 50% of the land under cultivation (which produces 30% of total foodgrain output, or about 105 million tons) is non-irrigated. This makes China not marginally, but wholly vulnerable to the vagaries of nature.

In the irrigated areas, China has achieved significant success in enhancing yield per hectare. China's rice paddy yield under irrigated conditions is 5,100 kg/hectare—better than all other Asian nations except Japan and South Korea.

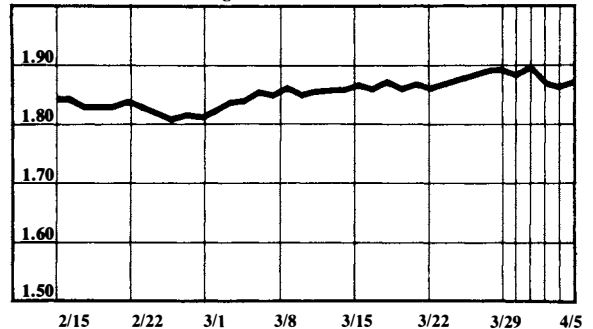
But what it means is that with prevailing levels of technology, China has almost reached the yield-plateau that Japan and South Korea hit in 1975. Now, any further productivity increases will depend on a serious intervention by agricultural science. Alternatively, irrigated acreage must be expanded—but this requires substantial infrastructure investments in the rural areas, which have already begun to be affected by a paucity of funds.

According to a report in the *Agricultural Daily*, published in China, which appeared in October, the Agricultural Bank of China cut back on loans to rural enterprises prior to the autumn harvest and handed interest-bearing deposit certificates to the peasants in lieu of cash. The shortage of cash has also affected government procurement of foodgrains—a major subject of discussion among China's leaders. This may mean further weakening of the foodgrain distribution system in rural areas and less possibility of refurbishing the dwindling foodgrain silos. There is yet another reason why procurement has remained low this year; the government's official support to the free market policy has prompted hoarding of foodgrains among private traders.

Currency Rates

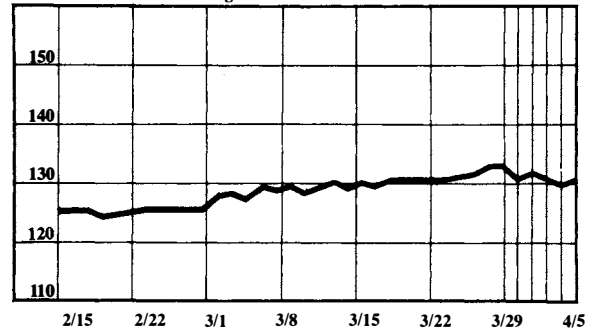
The dollar in deutschemarks

New York late afternoon fixing



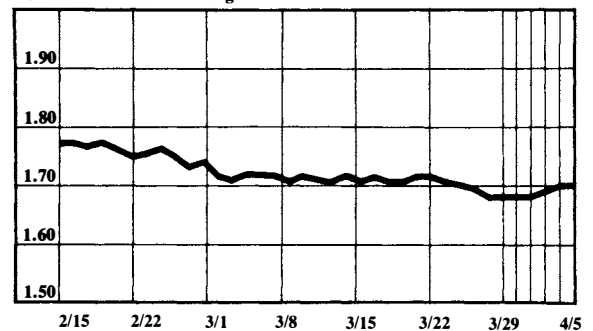
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

