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“Agricultural development within the rural-urban continuum”

## China's Agricultural Policy Transition, Domestic Grain Production and Changes of Agricultural Trade

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### Abstract

China's economy has been developed very fast since the policy of reform and opening up was issued in 1978. China's economic structure changed greatly in recent years. The agricultural sector has lost its leading role in economic development and has been replaced by the other two sectors. With the labour transfer from agriculture to other sectors, China imports more and more agricultural products to satisfy the domestic demand. However, the Chinese government aims to maintain 95 percent grain self sufficiency to protect the livelihood of the two-thirds of its population residing in the countryside, despite the lower-priced imports. China's agricultural policy passed through agricultural taxes to subsidies; until 2006 the remaining agricultural taxes were totally eliminated nationwide. The investment into agriculture increased from 214.4 billion RNB in 2003 to 857.9 billion RNB in 2010 with annual growth rate of 21.9%. The agricultural policy transition reflects the Chinese leadership's attention to the so-called San-Nong problem (i.e., the three agriculture-related issues: agriculture, rural areas and peasants). The increasing subsidies to the agriculture year by year affect the domestic grain production in China. How the domestic grain production will change, and its impacts on grain imports are the focus of this research. After 2005, China's domestic wheat and maize production increased greatly with more and more subsidies from the Chinese government. The results show that the subsidy policy has a positive and significant influence on the wheat and maize area. Increasing subsidies could promote the expansion of the cropping areas, further reduce the imports of grains and promote exports of some commodities. The agricultural policy transition is crucial for China's food security and food self-sufficiency.

**Keywords:** Agricultural policy transition, agricultural trade, domestic gains production, subsidy