China’s farm support less protectionist than in most OECD countries, says new report

Government support and subsidies provide Chinese farmers with around 6% of their income, a far lower proportion than in most OECD countries, but even this low level of funding could be applied more effectively if used in other ways, according to a new OECD report.

In its newly released Review of Agricultural Policies in China, the OECD suggests that by reducing the price support element of government aid to farmers, China could allocate resources elsewhere, spreading benefits more broadly across Chinese society. (By comparison with China, government support and subsidies provide around 58% of farmers’ income in Japan, one of China’s main export markets for farm and food products. In Korea, another major export market for China, the figure rises to 64%.)

Remarkable progress has been achieved in China in many areas since the 1980s. But poverty is still high in rural areas, and one of the main challenges facing the Chinese government is to reduce the growing inequality between country and city dwellers, the OECD report says.

China is not a member of the OECD but it participates in OECD work as an Observer on some OECD Committees. The OECD review of China’s agriculture is part of a co-operation programme launched in 1995 as part of the OECD’s outreach to non-member countries. The OECD has already published other studies, including reviews of the Chinese economy, governance in China, and policies to attract foreign direct investment.

Arguing that administrative barriers to migration from rural to urban areas should be relaxed further, the OECD agriculture report suggests that continuing movement of large numbers of workers out of farming and into manufacturing industries will help Chinese agriculture become more productive. But government policies must also tackle the resulting social and environmental pressures on the expanding cities. The rural population also requires better access to education, healthcare and other social services.

The importance of agriculture to the Chinese economy is still high, accounting for almost 15% of GDP and providing more than 40% of all jobs. Productivity per unit of land is generally high, though labour productivity in agriculture is relatively low.

The report addresses a number of challenges facing policy makers, among which are the following:

- Integrate small-scale farmers into domestic and international markets. More public services are needed in the field of rural education, agricultural research and food and product safety standards. The creation of autonomous peasants’ marketing organisations should be promoted.
- Create more efficient farms. Thirty-year land lease contracts are a step in the right direction but land rental transactions should be allowed to function more freely. Access to formal rural finance institutions should be improved.

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• Enhance the environmental sustainability of agriculture. This will require a combination of taxes, regulations and voluntary and co-operative approaches. Environmental legislation across different levels of government should be simplified.

• Improve the competitiveness of Chinese agriculture. The current view that China should produce 95% of its own grain requirements is restricting the switching of extra resources to more labour-intensives products such as fruit and vegetables where the country has a competitive advantage.

• Improve the design and implementation of agricultural policies. Government institutions should concentrate more on providing an enabling framework for the agro-food sector to flourish rather than on planning. A more accurate system of monitoring and analysing agriculture will help to improve the sector’s performance.

To receive a copy of the OECD Review of Agricultural Policies in China, journalists are invited to contact Nicole Le Vourch, OECD Media Relations Division (tel: + 33 1 4524 8088, or mailto:nicole.levourch@oecd.org). For further information journalists should contact the Media Relations Division (tel. + 33 1 4524 9700 or mailto:news.contact@oecd.org).