

China's Rice Economy and Policy: Supply, Demand, and Trade in the 21st Century

Abstract

This is the summary of a project report carried out by the Center for Chinese Agricultural Policy of the Chinese Academy of Sciences in collaboration with our colleagues from the US. The key people involved in the project include Jikun Huang, Scott Rozelle, Ruifa Hu, and Ninghui Li.

Rice is most important food crop in China. China's rice is also the largest component and most dynamic part of the world rice economy. The purpose of this paper is to examine trends in China's rice economy, policies governing agricultural sector, and predict China's future involvement in world rice markets. The study shows while rice sector has been heavily penalized by the price and marketing policies as well as macro economic policy such as overvaluation of domestic currency, rice productivity has gained substantially from the productivity enhanced investment such as agricultural research and irrigation. The projections show that under the most plausible expected growth rates in the important factors, China's grain imports will rise over the projection period. But, rice trends are in stark contrast to those of feed grains. Increasing maize imports arise mainly from the accelerating demand for meat and feed grains. The expected increasing rice exports will offset parts of the increase in feed grain imports.

The most important difference between the projections for rice supply, demand and trade is in the sensitivity of predictions to the simulation assumptions. Different rates of agricultural investment create some of the largest differences in the production and trade. Most of major demand factors--urbanization, income growth, and market liberalization are pushing China's consumers to reduce rice demand over the next 20 years. With a significant change in agricultural policy in response to China's WTO accession, supply will not only be able to keep up with demand, but also rice exports will be enlarged. China is expected to be a major player in the world japonica rice market in the coming decades.