Developments and patterns of trade in agricultural commodities between China and Latin America

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1. Introduction of Agriculture in China
1.1 Agricultural Development

Main Characters

- Agricultural resource constraints
- Agricultural production conditions improvement
- Agricultural production capacity
- Structural change
- Quality improvement
- Increase of rural income
Resource constraints

- China has 120 million ha arable land, accounting for 9% of world total.
- Per capita land less than 0.1 ha, 40% of world average.
- China has 2.4 trillion cubic meters water resource.
- Per capita possession 1861 cubic meters, 1/4 of world average.
Resource constraints: arable land
Resource constraints: water

Trillion cubic meter

Total output increased significantly

![Graph showing the increase in total output over time. The y-axis represents Billion Yuan, and the x-axis represents the years from 1990 to 2010. The graph indicates a significant increase in output.]
Output of Major Agriculture Products

Grain Output of China

million tons

Output of Major Agriculture Products

Output of Major Farm Products

- meat
- poultry eggs
- milk
- aquatic products
- fruits

<table>
<thead>
<tr>
<th>Year</th>
<th>Output (million tons)</th>
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<tr>
<td>1978</td>
<td>0.00</td>
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<tr>
<td>1980</td>
<td>20.00</td>
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<td>1982</td>
<td>40.00</td>
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<td>1984</td>
<td>60.00</td>
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<td>1986</td>
<td>80.00</td>
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<tr>
<td>1988</td>
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<td>2000</td>
<td>220.00</td>
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<td>2002</td>
<td>240.00</td>
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<td>2004</td>
<td>260.00</td>
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<tr>
<td>2006</td>
<td>280.00</td>
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<tr>
<td>2008</td>
<td>300.00</td>
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<tr>
<td>2010</td>
<td>320.00</td>
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</table>
Planting Structure of Major Farm Crops

- Grain
- Oilseeds
- Cotton
- Sugar Crop
- Vegetable
- Tea
- Fruit
Food safety improvement

- Promotion of green foods, organic foods and certified safe foods.
- The introduction of new laws and regulations with regard to food safety control.
- Enhanced official safety inspection and publication of results.
- Training and extension of new technology and practices.
Quick increase of rural household income
1.2 Agriculture Policy in China

- Agriculture Policy Evolution
- Domestic Agriculture Support Policy
- Agriculture Trade Policy
Agriculture Policy Evolution

China Agriculture Reform Experienced 4 Stages since 1978

- **Stage 1 (1978-1984):** household responsibility system
- **Stage 2 (1985-1991):** grain marketing system reform
- **Stage 3 (1992-1998):** market economy system
- **Stage 4 (since 1999):** comprehensive rural reform
Government Expenditure for Agriculture Increased Fast Recently
China’s Producer Support Estimation

-13.5 0.7 6.2 1.8 1.8 1.5 3.4 5.9 8.8 10.1 7.2 7.8 11.0 8.6
China’s PSE at low level
After entering WTO in 2001, China has substantially reduced the import tariff of agriculture products. At present, the average import tariff of agriculture products in China is only 15.6%, which makes China become one of the most opening countries in agriculture market.
### China’s TRQ arrangement

<table>
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<th>Items</th>
<th>MFN (%)</th>
<th>In Quota Rate (%)</th>
<th>Quota (thousand ton)</th>
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<td>Wheat</td>
<td>65</td>
<td>1-10</td>
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<td>Maize</td>
<td>20</td>
<td>1-10</td>
<td>7,200</td>
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<tr>
<td>Rice</td>
<td>65</td>
<td>1-9</td>
<td>5,320</td>
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<tr>
<td>Sugar</td>
<td>50</td>
<td>15</td>
<td>1,945</td>
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<tr>
<td>Wool</td>
<td>38</td>
<td>1-3</td>
<td>287</td>
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<tr>
<td>Cotton</td>
<td>40</td>
<td>1</td>
<td>894</td>
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</table>
1.3 Agricultural Trade in China

- Rapid growth of agricultural trade, 2001-2010 annual growth rate 17.8% (import 22.3%, export 13.3%)

- Because of much higher growth rate in import, China’s agricultural trade balance has changed from surplus to deficit since 2004
General trends:
diversification in export markets,
concentration in import markets.
Top ten export market in 2010

- Japan 18%
- Other 35%
- United States 12%
- Hong Kong 9%
- Korea 7%
- Indonesia 4%
- Germany 4%
- Malaysia 3%
- Russia 3%
- Vietnam 3%
- Thailand 2%
The share of top ten export markets of China’s agriculture products
Top ten sources of import in 2010

- United States: 26%
- Brazil: 15%
- Argentina: 8%
- Australia: 5%
- Malaysia: 5%
- Canada: 4%
- India: 4%
- Indonesia: 4%
- Thailand: 3%
- New Zealand: 3%
- Other: 23%
The share of top ten import market
Future Development of Agriculture in China

- The existence of small farms will impede its long term competitiveness.
- Based on grain self-sufficiency to ensure food security is a basic policy.
- Some staple products need import, but a reasonable level of self-sufficiency is important.
- Cash crop has comparative advantage and will be the main export products.
II. Agriculture Trade between China and Latin America
Rapid Growth Dominated by China’s Import
China’s Trade Deficit with Latin-America in Agriculture

100 million dollar

- 1995
- 1996
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
Top 7 Sources of Import in 2010

- Brazil: 54.8%
- Argentina: 29.1%
- Peru: 5.7%
- Cuba: 4.0%
- Uruguay: 4.0%
- Mexico: 0.5%
- Other: 0.4%
Top 7 Export Markets in 2010

- Brazil: 31%
- Mexico: 27%
- Columbia: 6%
- Chile: 5%
- Venezuela: 4%
- Dominican Republic: 3%
- Peru: 3%
- Other: 21%
Main Products China Import from Latin American

- Oilseeds: 70%
- Aquatic: 8%
- Fruit: 2%
- Vegetable oil: 6%
- Other: 4%
- Livestock: 6%
- Sugar: 4%
Main Products China Exported to Latin American

- Aquatic: 31%
- Vegetables: 29%
- Other: 27%
- Sugar: 3%
- Drinks: 3%
- Dried beans: 7%
Prospect of Agriculture Trade

- Potential
- Constraint
Large sized population

The graph shows the population growth of China and Latin America from 2000 to 2030. The population of China is represented in blue, and the population of Latin America is represented in red. The blue line indicates a steady increase in population, while the red line shows a slower increase.

Million
Development Potential

Rapid growth of economy

[Bar chart showing economic growth trends from 2000 to 2016 for World, Advanced economies, Latin America and the Caribbean, and China.]
More open agricultural market both in China and LA
Development Potential

Strong complementarity because of different resource endowments.

- China has advantages in producing labor-intensive products while Latin America is rich in land and water resources.
- Different geographic location makes China and Latin America have different harvest time in major crops.
Constraints

- Severe imbalance in agricultural trade unsustainable
- Agriculture trade faces intense competition from other countries.
- Stability of trade is influenced by multinational companies.
- Geographical distance is an obstacle.
III. Suggestions
Suggestions

- Maintain the stability of macro economy
- Strengthen the competitiveness of agriculture
- Work together to create a fair trade environment
- Enhance understanding and strengthen cooperation
Thank you!

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