

China 2017: Agricultural Deregulation and its Global Impact

In this section we look at China's economic and social situation. First, we see that Chinese growth is one of the major success stories in economic history. Second, we also see that this has created some serious social tensions. Finally, we look at some of the issues in quantifying the scale of all this activity.

The Chinese economy has been one of the growth miracles of recent decades. Since 1978, when reforms began to shift China from a centrally-planned to a market-based economy, it has experienced rapid economic and social development. Gross domestic product (GDP) growth has averaged nearly ten per cent a year to make China the second largest economy in the world in dollar terms, and the largest if measured in purchasing power parity terms. This is the fastest sustained expansion by a major economy in history

Summary

- China is one of the largest importers, exporters, and consumers of agricultural products in the world
- In order to boost domestic production and protect against price fluctuations, the Chinese government instituted a system of price floors for rice, wheat, corn, soybeans, rapeseed, and cotton
- China's system of price floors has led – as economic theory would predict – to excessive stocks, an increasing financial burden on the government, suppressed demand, and unsustainable farming practices
- The Chinese government is now dismantling the price floor system, and it remains in place only for wheat and rice. It is likely that price floors for these products will be scrapped soon
- The ending of this comprehensive system in such a major player in agricultural markets will have serious, worldwide effects
- As China brings its accumulated stocks to the market, these will depress prices. With this foreknowledge, markets could be expected to price this in, but there is great uncertainty over the actual size of Chinese stocks
- In the longer run production will be affected
- At lower prices, farms in China will produce less rice, wheat, corn, soybeans, rapeseed, and cotton. Some land will move into non-agricultural uses; other land currently being used to produce these products will be switched to producing others
- Worldwide prices for these commodities will fall as the Chinese government ceases to be a buyer