

MAXIMIZING PRODUCTION AND MARKETING FOR PROFIT

CORN & SOYBEAN

DIGEST®

[print](#) | [close](#)

8 Current Challenges in Chinese Agriculture

[Corn and Soybean Digest](#)

[Kurt Lawton](#)

Thu, 2013-03-21 15:06

Minnesota soybean farmers are on a trade mission to China, helping build relationships in a massive, competitive market.

March 21, 2013 (BEIJING, CHINA) – Twenty-seven soybean farmers and spouses from Minnesota began a 10-day trade mission trek across eastern China on Thursday as part of the Minnesota Soybean Research & Promotion Council's (MSR&PC) International Marketing See For Yourself program.

With more than half of Minnesota's soybean crop exported annually, this group of farmers is seeing first hand the value of their international marketing checkoff dollars at work in China, its biggest export customer. Now in its eighth year, this successful See For Yourself program heads back to China to continue building long-term relationships in this massive and competitive market.

This 10-day mission puts farmers in personal contact with a wide variety of customers involved with dairy, swine and poultry operations plus soy food and feed plants, crushing facilities, aquaculture farms and a shipping port – from Beijing to Hong Kong.

Today's meeting began with an agricultural trade backgrounder by Scott Sindelar, Agriculture Minister Counselor with the U.S. Embassy in China. He outlined some of the current situations with agriculture in China, as well as several challenges that lie ahead.

- China is a very powerful agricultural producing country. Ag contributes 10% to GDP, and it employs 266 million people (35% of total labor force). It is the world's largest producer of cotton, rice and pork, plus other fruits, vegetables and nuts.
- They have to feed nearly three times the number of people per area unit of land as the rest of the world. There is growing middle class demand for more protein in the diet, but land and water resource constraints make production increases a challenge.
- For example, pork is the largest protein source of choice. China has 60 million swine producers that deliver 600 million head of hogs annually. That is 6 to 7 times larger than U.S. production. Some estimates believe that if China increased their pork consumption by 10%, that would consume the whole rest of the world's pork supply.
- China is a major importer of agricultural products. While the U.S. runs a massive trade deficit with China, that's not the case with ag trade – as we run a surplus and it is growing. Since 2008-2009, ag imports have seen a massive increase in trade with China. A lot of that driven by U.S. soybean exports here. Of the \$26 billion worth of U.S. ag exports to China last year, half of that was soybeans. It's a great success story, going on seven or eight consecutive years of record levels.

China takes about 18% of U.S. global exports. Agriculture provides 20% of all U.S. exports to China.

- While China would like to be more self-sufficient in total food production, they face real challenges to produce more to match the increasing demand. They already produce on all current arable land, although production efficiency could improve with greater adoption of biotech crops to increase yields.
- Greater mechanization could also help improve production. In the northern provinces, farms look more like U.S. production scale. China ag policy is providing more government support. Efforts are underway to remove the disincentives to consolidate small land holdings, and provide greater incentives to encourage consolidation into larger farms, as well as give more access to credit. There is no official land ownership, but farmers can gain rights to land for extended period of time. Farmland can be leased for 20 years, with an option for another 20.
- Another real issue going forward for China is water. Groundwater depletion in the key production areas of the north is a real concern, so major efforts are underway to try and divert water supply from south to north. Also of concern is water pollution. Significant portions of China's surface water are too polluted for irrigation use on crops.
- One final impediment to greater production is that China doesn't allow use of GMO crops except cotton. They allow the import of GMO products but those imports have to go through a lengthy two-year regulatory process, which doesn't start until a trait has been approved in another country. Unfortunately, due to even greater delays currently, farmers in North and South America are not able to use technologies that would provide yield gains and other enhancements – which strains global supply of these crops and raise prices. At some point I suspect the pendulum will shift, and China will see the value in these GMO crops.

Sindelar concluded by saying that while there are challenges faced in our relationship with China, we have built a foundation of collaboration to solve issues. The soybean industry has been a real leader in this. We've done a good job talking about contributions we make in the development of China. We've been here a long time and will be here for a long time. This relationship is so important. As we look ahead 20-30 years at the global environment for agriculture, if we're not working together to solve issues and challenges in the areas of food security, food safety and sustainability, then we will have real problems for both countries. That message is beginning to resonate with the Chinese. But among the public here, U.S. trade can be seen as a threat to China. But on the other hand, other U.S. products are welcomed by Chinese consumers, so still working to improve these relations.

Read more about China:

[North Asia Soybean Import-Export Outlook](http://cornandsoybeandigest.com/soybeans/8-current-challenges-chinese-agriculture)

Source URL: <http://cornandsoybeandigest.com/soybeans/8-current-challenges-chinese-agriculture>