

The Movement of Chinese Policy on Grains

——From the Protective Price Policy to the Price Policy for International Competitiveness——

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Summary

After a poor harvest in 1994, Chinese government enforced a policy for increasing production of grains through raising prices and so on. This policy made the yield of grains dramatically increase and caused overproduction. At the same time, the continuance of grains purchase at protective prices largely expanded the financial burden. Though a reform of grains distribution was enforced in 1998 in order to reduce the financial burden, that reform completely failed with a large quantity of unsold grains in governmental food enterprises and enlargement of the financial burden.

In consideration of the failure of the reform in 1998 and joining WTO, Chinese government basically changed the grains policy which is essentially containing reduction of articles for protective prices purchase and alleviation of regulations for grains purchase, which caused Chinese policy on grains shift to the price policy for international competitiveness. That policy is fundamentally composed by trading at a market price, putting governmental food enterprises into competition and fostering main producing districts with competitive power.

The price policy for international competitiveness, for the present, seems to obtain good results, that is expansion of quantity of grains export and so on. On the other hand, maintaining this policy necessitates to make a farmhouse management more efficient and to stabilize domestic grains prices.