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China's Growing Demand for Agricultural Imports

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What is the Issue?

China is playing an important role in global agricultural markets as it emerges from isolation, liberalizes its economy, and experiences rising living standards. Policymakers, analysts, researchers, and the public need information about China's growing, multifaceted role in agricultural markets. For example, what countries are the leading suppliers of China's agricultural imports? What commodities is China importing, and what trends and patterns can be discerned? How do China's current agricultural imports fit in its historical context? How have China's policies responded to its increased role in global agricultural markets? Can import growth be sustained in the future or will it be limited by new policies and procedures?

China's capacity to meet new demands for agricultural products has been assessed by analysts inside and outside China since the 1980s. Economists have anticipated that market forces would induce China to import grains and other land-intensive crops, but Chinese officials (motivated by food security and other concerns) have long resisted these forces and sought to maintain self-sufficiency. However, officials are now adjusting their strategies to accommodate their country's growing reliance on agricultural imports.

What Did the Study Find?

China's 2001 accession to the World Trade Organization lowered barriers to agricultural imports, and its economic growth has generated new demands for agricultural commodities. An agricultural trading relationship of mutual importance is developing between the United States and China. The United States accounted for over 24 percent of the value of China's agricultural imports during 2012-13, a larger share than any other country. U.S. agricultural sales to China doubled from 2008 to 2012, reaching nearly \$26 billion in annual sales. China has overtaken Japan, Mexico, and Canada to become the leading export market for U.S. agricultural products.

China's agricultural imports reflect its relative scarcity of land resources, and its most prominent imports are oilseeds, oils, and cotton—products that have high land requirements per unit of output. China has become a net importer of grain, but its grain

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imports are still modest in comparison with its oilseed imports. China has also swung from net exporter to net importer of corn and is importing large volumes of distillers' dried grains, a byproduct of corn-based ethanol production. While demand for animal feeds is an important factor in China's agricultural import growth, imports of meat and dairy products have also surged as rising costs of feed and forage, as well as other constraints, limit the growth of domestic livestock output.

Demand for imported cotton and wool fibers as raw material for textile manufacturing has also risen. When China stockpiled domestic cotton to support prices above world levels during 2011-13, cheaper imports of cotton surged to meet textile demand.

While bulk commodities remain predominant in China's agricultural imports, evolving consumer tastes and increased purchasing power are stimulating demand for higher value products. Imports of wine, beer, cheese, breads, cookies, extracts of coffee and tea, and ice cream are growing rapidly.

Projections by the U.S. Department of Agriculture (USDA) and several other sources anticipate continued growth in Chinese agricultural imports through 2023. Soybeans are expected to continue as the dominant import commodity, but imports of corn and meats are expected to rise as well. However, an unanticipated surplus of corn that was evidenced in China soon after projections were made underscores the difficulty of assessing China's market.

Officials in China now acknowledge their country's need for agricultural imports and are emphasizing agricultural trade and investment in diplomacy. They are also formulating strategies to use domestic support and border measures to prevent imports from dominating Chinese markets. However, interventions in markets can create uncertainty that distorts prices and disrupts trade. On the other hand, policies that allow market demand and supply to determine prices, combined with the consistent application of regulations and standards, generally help global markets to supply demands efficiently.

How Was the Study Conducted?

The study is based on an analysis of China's agricultural imports reported in Chinese customs statistics and U.S. agricultural export data; it evaluates recent trends in data through calendar year 2013, as well as historical trends. The study also summarizes projections of Chinese agricultural imports through 2023 from four sets of projections and summarizes Chinese policies on food security and agriculture based on information from numerous Chinese documents, speeches, and news media reports.