

Chinese Agricultural Reforms Open a Role for Midwest Farmers

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While biofuels have been garnering headlines in the Western world, China's transformation to higher incomes and differing food preferences in its population of roughly 1.3 billion is causing an equally significant shift for world agricultural markets. Some of that change will be supplied by external sources, but much of it will need to occur internally. Relying on domestic sources presents a significant challenge because much of China's agricultural production is consumed by the farmers themselves for survival. Additionally, working class people are moving away from farms and agriculture for the opportunities in China's massive cities.

"Only advanced technology can make it possible that less farm workers can feed a larger population," explained Wu Yifeng of China Agricultural University. "Looking toward 2050, even assuming that the Chinese population stabilizes at 1.6 billion, demand for food is set to double. Our government realizes this situation and is dedicating a significant amount of resources to development and research in agricultural science."

Government Commitment

To help create an environment that will allow farms to adapt, the Chinese government changed a policy in 2006 that had been in existence in China for over 4200 years—it discontinued the farm tax. To help put this in perspective, imagine that instead of receiving an LDP (Loan Deficiency Payment) payment each year from the government you had to pay taxes and fees on all aspects of your farming business. In America this type of thinking is somewhat hard to comprehend, but the fact that these taxes have ended demonstrates that the Chinese government is continuing to embrace these reforms (Tan Lin, *China's Rural Reform: Progress*, 10/31/2006).

As a result of our friendship with visiting Purdue Professor Penghui Dou, last November Wyss Farms Enterprises (WFE) observed firsthand the commitment of the Chinese government when we were invited to present at the 14th Annual China Yangling Agricultural Hi-Tech Fair (CAF), one of the four most famous fairs in China. The CAF opening ceremonies included delegates from the Canadian and Australian Ministries of Agriculture as well as many top ranking officials in the Chinese agriculture department. It was clear to us that ag reform has support from the highest levels. The goal of the CAF is for the Chinese agricultural community to learn from the successes that other developed countries have had with farming. For example fellow presenter Mark Branson was



Indiana farmers Joe (left), Don (right), Andy, and Pat Wyss traveled to China last fall to share their farm management expertise.





Almost non-existent in current Chinese farming operations, adopting mechanized harvesting equipment such as this on larger holdings will help Chinese farmers keep up with increasing dietary demands.

invited to speak about the development of precision agriculture in Australia. Through our common bond with Mark, we realized that there are exciting opportunities to form working relationships with farmers from other countries with shared interests in China. The international presence at the CAF shows that if U.S. farmers are not the ones to work with China, then other countries will readily take advantage of the opportunities existing there.

Land Ownership Reform

A major obstacle that stands in the way of increased agricultural efficiency and productivity is the issue of land policy reform in China. Currently, a farmer can decide what crops to grow, but cannot increase their farm size by buying or renting more land—it belongs to the government. Farming for the rural Chinese people is more of a means of survival, as in the area that we traveled each family had only about one acre (about 1/3 hectare) on which to grow their crops. And it was clearly evident farm families are using every available portion of their acre—crops are planted right up to the road, under trees and power lines.

Chinese government and academic leaders realize that land reform is at the core of moving agriculture forward and there are three solutions discussed most often: 1) modify collective ownership, 2) maintain national land ownership, but allow farmers to buy and rent land usage rights, and 3) privatize land ownership. If land is privatized, acreage likely will consolidate rapidly since each farmer controls such a small portion of land. Farmers who enjoy farming or who excel at it can buy or rent more land while those who want to find jobs in the city can sell their land. Farmers with more land will be able to restructure production practices for more profitability and as more people move into the city, total demand for goods will rise concurrently with an increase in agricultural productivity (Tan Lin, *China's Rural Reform: Progress*, 10/31/2006). A careful approach will be necessary in order to avoid displacing too many people too quickly or with no system in place to support them.

Opportunities for Entrepreneurs

These reforms will help open opportunities to build industrialized farming within China. For those entrepreneurs that are able to find ways to work together with the Chinese community in the early years of this growth, the benefits could be substantial. As the Chinese farmer learns how to take advantage of the newer seed technology and mechanized equipment they will be able to begin the phase of consolidation.



While presenting at the CAF and from our interactions with government officials and local farmers, the following opportunities became apparent:

- Working with farmers to assist in their technology adoption—with seed, larger machinery, and in how to manage significantly larger parcels of land.
- Assisting government leaders to develop systematic approaches in regards to knowledge transfer and technology adoption—not dumping resources on people not ready for it.
- Investing in Chinese agricultural resources that are poised to profit from farm consolidation and technology adoption.
- Creating connections in food supply chains, from farms to major cities, as advanced dietary desires evolve and overall individual disposable income improves.
- Deepening relationships with future agricultural leaders, such as those we met at China Agricultural University.
- Helping Chinese agriculture evolve through environmentally effective solutions.

Comfort with the Status Quo

It is important to note that these changes will not happen overnight, and significant training and education will be necessary. Many current farmers are resistant to changing from the ‘old ways’ of farming. At the same time, the students we met at China Agricultural University during a separate U.S. farming presentation are very active in developing and working with programs to help improve and educate the farmers. As is often the case, it will be the generational transfer that will help effect the change.

Summary

With 1.3 billion people looking to improve their diets amidst tremendous economic growth, Chinese government officials realize the need for agricultural reform. The agricultural sector will need to invest in new technologies and science to advance productivity of their food products. However, the biggest challenge will be how quickly the agricultural industry can improve the productivity to increase the supply of food products. One positive aspect of the situation is that the Chinese agriculturalists already realize the urgency and are anxious to learn about new approaches to improve farm output. The need has been identified. U.S. farmer entrepreneurs will have to identify the opportunity.

For More Information

China Agricultural University – International Relations: www.cau.edu.cn/cie/en

Wyss Farms Enterprises: www.wyssfarms.com

China Yangling Agricultural Hi-Tech Fair: www.agri-fair.com

