

China as a net food importer: opportunity or threat for global food partnerships

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Good health and food safety are important for China

Good health and food safety are important for Chinese people. The 1.5 billion Chinese wants to be sure that their food meets international quality standards. Business advice and know-how to upgrade national food industry is welcomed as well as innovative ways to avoid inflation because of increasing food prices. China as net food importer offers opportunities for European food industry. These opportunities will even become bigger because of the higher income and changing eating habits of the Chinese urban population will result in more demand for quality products.

Chinese agriculture

In China 250 million farmers work on 121 million hectares. This means 0.5 hectare per farmer! This is not enough land and the land is very fragmented. One farmer may have 4 different plots. Currently there is no private landownership but only transferable user rights. However, most of the food production comes from small farmers with limited potential to grow because there is not enough water, while climate change can lead to droughts (Hao Li and Van Dijk, 2012). Recent developments:

- Horticulture around Kunming
- More large scale agriculture
- More gentech crops & biological agriculture (linked to eco tourism)
- China promotes value chain approach
- Community supported agriculture is promoted with local seed improvement & development of regional markets
- Developing commercial agriculture (example Le Gaga: add land together, build greenhouses & increase revenues from 1000 to 50,000 rmb/hectare)

Global trends and the implications for China

1. Globally: by 2030 from 6 to 8 billion inhabitants on planet earth
2. Demand for food will increase by 50%, demand for energy will increase by 50% & demand for water by 30%
3. And 60% of the earth's ecosystem has been degraded
4. China will grow to 1.5 billion people and increase its per capita income substantially meaning it will need more agricultural imports, but it is facing a number of challenges
5. Still 120 to 200 million people below the poverty line of one dollar a day, but Resettlement projects are not very popular
6. Demand for food will increase, but also higher value and better quality food will be demanded

The consequences are that China has to import more food and that it buys or leases land oversea, in particular in Africa (Van Dijk ed., 2009). Furthermore, in ten years 100 million farmers will migrate to the cities (and need to be fed)

Some of the challenges China is facing

Some of the challenges China is facing are the:

1. Limited agricultural potential (only 25% of GDP generated by 50% of the population)
2. Low productivity in agriculture (small pieces of land and often several pieces)
3. Land and water scarcity (only land user rights and average family has 1.5 hectares)
4. Desire for food security and independence (impossible to grow all food needed in China, not to increase the productivity substantially in the current situation)

5. Food inflation: consumer prices increase because of higher demand and insufficient supply. This leads to negative rates of interest and contributes to political instability. China is Looking for innovative ways to avoid inflation because of increasing food prices
6. Knowledge that China does not want to depend mainly on the US, Vietnam or Australia
7. Import dependency: ever more? For example China needs a lot of soy beans for animal feed and needs to import rice and wheat
8. Certainty that with wealth & population growth demand for meat, fruit & vegetables increases
9. Fact that China is already the number one user of pesticides in the world &
10. Use of 50% of all fertilizer in the world

Achieving food security?

The objectives of the government are to achieve Food self sufficiency at 90% and for other products 100%. The question is: IS THIS REALISTIC? In this B2B seminar, top business experts active in China will address these issues. Despite low productivity China wants food security, but worsens Africa's food security. Worldwide demand for food is growing, like the population from 6 to 8 billion by 2030, leading to:

- a. Increased demand for food (plus 50%, or plus 70% according to FAO by 2050)
- b. Demand for energy also increases 50%
- c. But already 60% of earth's eco system is degrading

Food scandals

- China has faced a series of food scandals, from SARs to melamine milk
- 300,000 children got sick and 6 died. Also:
- Recycling used cooking oil from restaurants arrested gang 32 people and confiscated 100 t
- Recently authorities are closing firms because of poor food: Chinese government arrested 2000 people and
- Closed 5000 companies not respecting the rules

Conclusions

1. Food plays an important role in assuring stability in Chinese society: more demand for quality and special products
2. China needs more agricultural imports, but there are a number of constraints
3. Opportunities for European exporters, if logistics, standards & distribution issues can be solved
4. Demand is changing towards higher value and quality products
5. What is wrong with importing food? China has to accept that other countries have competitive advantages & should benefit from globalization
6. Most protests are farmers against extending metropolitan cities
7. China as net food importer offers opportunities for European food industry
8. A need for partnerships to enter the Chinese food market and build up lasting relations
9. Business advice and know-how to upgrade national food industry is welcomed
10. Try to overcome these constraints collectively as food exporters from the EU!

Sources

Dijk, M.P. van (ed., 2009) The new presence of China in Africa. Amsterdam: Amsterdam University Press.

Distrifood, website for supermarkets

Hao Li and M.P. van Dijk, (2012) In: International Journal of Water.

It's food stupid, series of lectures in de Rode Hoed Amsterdam in the spring of 2012