

## Policy Brief

### Key messages

- This year's document is titled "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization."
- The major goals and highlights of this year's document are: consolidating the achievements of poverty eradication, rural revitalization, rural infrastructure development, development of modern rural industry system, boosting the seed and breeding sector, and developing green agriculture.
- The success of poverty alleviation and rural revitalization efforts will depend on mitigating the conflicting interests of urbanization and rural development in China. More reforms, like relaxing the *Hukou* household registry system and improving social welfare in rural areas, would aid in genuinely achieving these stated goals.
- The No. 1 Document could provide multiple avenues to further Sino-German cooperation in the agriculture sector.

## From poverty eradication to rural revitalization: China's No. 1 Document of 2021 and implications for agricultural policy

By Dr. Aihematijiang (Ahmatjan) Rouzi

### Introduction

The Central Committee of the Communist Party of China and the State Council jointly released Document No. 1 on February 21<sup>st</sup>, 2021. This year's Document No. 1 is in line with China's 14<sup>th</sup> Five-Year Plan (FYP) for 2021–2025 and its economic goals set to be achieved in 2035. This document is titled "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization" (Xinhua, 2021). The document includes five major sections and 26 paragraphs and clearly lists the targets and tasks concerning agriculture and rural areas for 2021, as well as a broader vision for the period up to 2025. This year's document is released against the backdrop of the official declaration of "eradication of extreme poverty" and the COVID-19 global pandemic. The Chinese agriculture sector has been experiencing a wide range of changes and reforms in recent years (Xinhua, 2021).

The annually released No. 1 Document provides local policymakers, the agri-business sector and farmers with overall policy direction, goals and priorities by the central government. The document is closely followed and analyzed by various actors in the agriculture sector in China. Looking back, the No. 1 Document has reflected China's transition from a planned economy to market-based agriculture over the last 70 years (Table 1.) In recent years, the No. 1 Document has focused mostly on food security, agricultural modernization, rural revitalization and poverty eradication.

Along with the No. 1 Document, the Rural Revitalization Strategic Plan 2018–2022, the 14<sup>th</sup> Five-Year Plan 2021–2025, the Development Plan for the Milk Industry, and the recently amended Land Administration Law (2019) provide a road map for China’s agriculture policy for the coming years and beyond.

Year	Theme
1950	Planned economy, unified purchase and sale (rationing) of grain
1978	Gradual price reform for various agricultural products
1982	Announcement of the household contract responsibility system
1983	Promote comprehensive development of agriculture, forestry, livestock, fisheries and side-line business; develop cooperative business and private business
1984	Promote the development of commodity production, eradicate poverty, and extend land contract period to more than 15 years
1985	Grain market reform; abolishment of unified purchase and sales, replacing them with contract purchase
1986	Take agriculture as foundation of national economy, rely on science and technology, and increase investment to maintain stable agricultural growth; further reform of rural economy
2004	Boost farmers' incomes, adjust agricultural structure, increase jobs for farmers, enhance rural investment, and advance agriculture-related science and technology
2005	Strengthening rural work and improving the overall production capacity of agriculture
2006	Constructing a new socialist countryside, abolishing agricultural tax
2007	Developing modern agriculture and steadily promoting the construction of a new socialist countryside
2008	Fortifying the foundation of agriculture, establishing the long-term mechanism to support agriculture, and strengthening agricultural S&T services system
2009	Promoting steady development in agriculture and sustained increases in farmers' income; further increase direct subsidies
2010	Speeding up coordinated urban and rural development, improving agricultural support policy system, allocating resources to rural areas, and improving rural public services
2011	Accelerating development of water conservation and improving farmland irrigation
2012	Accelerating S&T innovation to strengthen the supply of agricultural products
2013	Speeding up the modernization of agriculture and strengthening the vitality of rural growth
2014	Deepening rural reform to accelerate agricultural modernization
2015	Reinforcing reform and innovation to accelerate agricultural modernization
2016	Accelerating agriculture modernization, strengthening innovation-driven development, and transforming agricultural development methods
2017	Supply-side reform and cultivation of new momentum to drive agricultural and rural development
2018	Implementation of the Strategy of Rural Revitalization, enhancing the quality of agricultural development, and advancing rural green development
2019	Prioritizing rural and agricultural development, decisively win the battle to eradicate poverty, maintaining supply of agricultural products, enhancing rural industry, increasing farmers' incomes, and improving the rural environment
2020	Winning the battle to eradicate poverty, addressing the weakest links in agriculture and rural areas; ensuring effective supply of key agricultural products, increasing farmers' incomes, diversifying imports

Table 1. Major themes in No. 1 Documents through the years.

### Key goals in No. 1 Document for 2021

This year’s document covers a wide range of issues related to agriculture in China; however, this paper will focus on five key topics with broader implications.

### Poverty eradication

2020 was the year that China eliminated extreme poverty, which China officially defines as earning less than USD 620 a year (BBC, 2021). On February 25<sup>th</sup>, 2021, President Xi declared complete victory on “eradicating extreme poverty,” stating: “According to the current criteria, all 98.99 million rural poor have been taken out of poverty, and 832 poverty-stricken counties, as well as 128,000 villages, have been removed from the poverty list” (BBC, 2021). China’s poverty definition is less than the World Bank’s threshold of USD 1.90 a day, and well below the USD 5.50 per day that economists recommend for upper-middle-income countries (Kuo, 2021). Thus, despite these achievements, China still has a long way to go in tackling relative poverty and structural inequalities in the years to come. Therefore, 2021’s No. 1 Document puts heavy emphasis on consolidating the achievements of poverty eradication.

The No. 1 Document proposes that, following the completion of 2020’s poverty alleviation goals and tasks, a five-year transition period will be established for counties that have escaped poverty. The document also recommends establishing a monitoring system to prevent regression to poverty, as well as an assistance mechanism. To maintain momentum, mass-scale employment, rural industrialization, infrastructure development and social services initiatives will be initiated and expanded. The No. 1 Document mandates that, during the transition period, the overall stability of the current main assistance policies will be maintained in order to achieve the transition from poverty alleviation to comprehensive promotion of rural revitalization. During this transition period, social assistance to farmers will be continued. The document also called for the establishment of a monitoring system for the low-income population, to identify where targeted employment and social assistance programs can be initiated to help those who are most vulnerable. Central and western regions of China will be the main focus of these efforts. The document further states that farmers’ income has doubled in 2020 compared to 2010.

### Rural revitalization

The No. 1 Document states that a modernized rural industrial production system shall be established under which villages, township and counties will be integrated into broader agricultural value chains. It is projected that by 2025, 500 modern agricultural demonstration zones will be established. According to the document, the “ten thousand enterprises in ten thousand villages” campaign should be initiated to further enhance the development of villages. Rural road construction, rural drinking water infrastructure, rural sanitation, clean toilet initiatives, rural digitalization, and improvements in integrated village function will be realized. By 2025, running drinking water coverage in rural areas will be increased to 88%. Following the given plan, the modernization of agriculture and rural areas will achieve significant advancements by 2025, and the construction of rural infrastructure and modernization will be essentially complete. Rural digital development will be intensified through further expansion of 5G, mobile and internet-based logistics.

After the release of the document, on February 25<sup>th</sup>, 2021, the National Rural Revitalization Bureau (国家乡村振兴局) was established under the Ministry of Agriculture and Rural Affairs with a mandate to consolidate the achievements of poverty eradication and promote rural revitalization. This new bureau replaces the former “State Council Office for Poor Regions’ Economic Development” (Sina News, 2021). At the vice-ministerial level, the new bureau provides a powerful administrative body that will lend new momentum to China’s rural revitalization efforts.

### Food security

As in previous years, the document states that functional grain production zones and important agricultural zones should be established and that a minimum amount of cropland acreage should guarantee national food security. The document emphasizes maintaining the “red line” of 1.8 billion mu (120 million hectares) of arable land for food security, which has been mentioned in previous No. 1 documents, and aims to sustain 100 million mu (6.6 million hectare) of high-quality farmland to ensure high yields and stable production through 2021. The use of farmland for “non-agricultural” purposes and conversion of croplands to production of nongrain crops should be curbed and strictly controlled. Overall food grain production will be kept above 650 million tons. A policy system in which provincial governors are responsible for grain security and municipal mayors are responsible for the “vegetable basket” will be implemented and continued.

The document stresses the importance of ensuring the secure supply of “grain, cotton, oil, sugar and meat.” The document also states that the policy to guarantee minimum prices for rice and wheat will be continued; corn and soybean will continue to be targeted by the existing subsidy policy. Experimental zones for testing cost and income insurances for rice, wheat and corn will be established and expanded. To optimize agricultural trade, agricultural import diversification will be implemented and companies’ entrance into the global agricultural supply chain will be supported. According to the document, reliable pork production will be sustained, the lamb and beef sectors will be actively developed, and the milk sector will be revitalized. For the first time, the No. 1 Document cites the prevention of food waste as an important goal and proposes food waste prevention in production, transportation, storage and consumption.

### Seed and breeding

The No. 1 Document states that the development and utilization of agricultural seed sources/germplasm should be strengthened, and a national germplasm bank should be established. It is further stated that a plan for a new series of genetically improved plant seeds as well as poultry and animal breeds should be drawn up and implemented, and that the application of modern breeding technologies should also be promoted. Furthermore, protection mechanisms for intellectual properties in seed and breeding should be intensified. Leading enterprises in the seed industry shall be supported to establish and improve commercial breeding systems. The establishment of the Nanfan Center for Seed and Animal Breeding, the so-called “Southern Silicon Valley” in Hainan province, aims to strengthen seed breeding systems. The seed sector has been a top priority for China since the government released the “National Modern Crop Seed Industry Development Plan 2012–2020”; this year places notable emphasis on intellectual property and the establishment of the seed and animal breeding center in Hainan province.

### Rural green development

As in previous No. 1 documents, the 2021 document sets a focus on soil rehabilitation, especially of the degraded black soil in China’s northeastern grain belt. As in previous documents, this year’s edict stresses that reliance on mineral fertilizers, pesticides and herbicides shall be reduced and that green agricultural development shall be promoted. A campaign to recycle agrichemical packages should also be initiated (Shen et al, 2021). The document further proposes the establishment of a series of experimental counties for agricultural pollution control along the Yangtze and Yellow river economic belt. In addition, emphasis is given to improvements in the monitoring and certification of “green” agricultural products<sup>1</sup>. The document further stresses the importance of “returning farmlands to forestlands,” grassland restoration compensation policy, and the promotion of combatting desertification, soil pollution prevention and water protection measures. The document also states that a ten-year fishing ban along the Yangtze River will be enacted to allow the fish population to recover.

## Implications and policy recommendations

### Rural revitalization

Rural revitalization efforts are well intentioned and necessary to address the decline of rural areas in China (as in many developed countries); however, the contradiction of these efforts with China’s drive toward urbanization and industrialization cannot be ignored. China’s 14<sup>th</sup> Five-Year Plan (FYP) and the long-term development goals for 2035 have outlined that China will realize its industrial modernization and urbanization goals by 2035. This plan still largely favors urban areas where industrial and innovation-based sectors are located. China’s urbanization has slowly shifted away from highly developed, first-tier coastal cities to the second- and third-tier inland cities whose low wages, cheap real-estate and lax environmental regulations have made them the new focus of development. The desire of local governments to fill budget shortfalls with income from potential land sales to the construction and urban development would only encourage further urbanization. Therefore, the revitalization of rural areas would face stiff competition from urbanization and further industrialization in the second- and third-tier cities.

<sup>1</sup> It should be noted that there are two official terms: “green” (lüse) is more general environmentally friendly production, but not necessarily fully avoiding the use of agrichemicals. Organic (youji) refers to certified organic products (without use of agrochemicals).

China's strict household registration system (*Hukou*), in which urban and rural residence are registered separately and urban residents enjoy greater social, educational and welfare benefits than their rural counterparts, would also make it more challenging to entice urban dwellers to settle in the rural areas. To attract talent and young people to the rural areas and keep them there would require changes and relaxation in household registration. Given China's current political climate, such a change is unlikely. Investment in rural infrastructure, especially in transportation and technology, would not only improve the economic prospects of rural areas, but would also make them attractive places to settle; this was strongly emphasized in this year's document as well. Enhancing the social welfare system would also ease social tensions and ameliorate the effects of labor shortages and an aging population in rural areas. This year's document offers many general guidelines in these areas.

### Poverty alleviation

The poverty eradication mechanism in this year's No. 1 Document is rather vague and well below the World Bank target for middle-income countries, among which China is presently counted. China's rural poverty stems from the country's structural inequalities and regional imbalances. Without addressing these core issues, including the household registration system (*Hukou*) and regional imbalances in investment and resource allocation, it would be difficult to keep areas that have recently escaped poverty falling back into poverty. Drastic changes, like abolishing the *Hukou* system, enacting equal and accessible social welfare programs (as in the cities), and investment in infrastructure would make poverty eradication more sustainable and longer-lasting. Targeting specific impoverished regions in current poverty alleviation efforts may in turn leave other poor rural residents in non-impoverished areas without adequate resources and attention to improve their own economic situations (Liu & Guo, 2017), thereby creating new pockets of poverty. Since most of China's impoverished regions are also located in ecologically fragile areas, poverty alleviation efforts may come into conflict with environmental protections (Xue et al., 2020). Therefore, it is paramount to avoid or reduce costly tradeoffs between economic development and environmental degradation in any poverty alleviation efforts.

### Food security

The total area dedicated to food crops remained at 117 million hectares in 2018, which is slightly below the 120 million-hectare redline (Fig. 1). A strong emphasis on preventing nonagricultural and non-grain uses of croplands in the No. 1 Document reflects the government's strong commitment to food security in the face of COVID-19, climate change and geopolitical challenges.

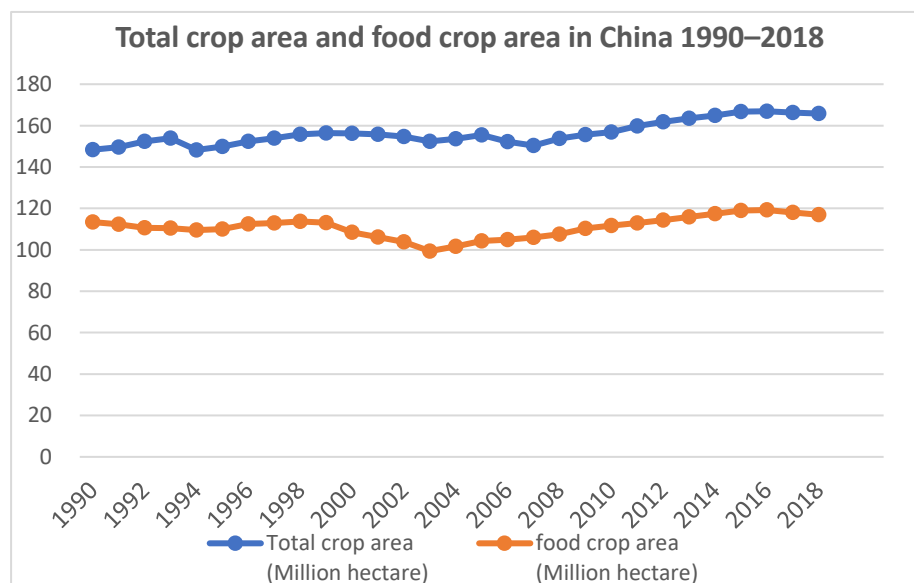


Fig 1. Total crop area and food crop area in China 1990–2018 (NBS, 2019)

However, China still lags behind developed countries in efficiency and cost-effectiveness of agricultural production. Less per-capita cropland, lack of efficient farm management, and overreliance on government subsidies are the



major hurdles to food security in China. Improving agricultural production and distribution through smart agriculture and advanced technology is a viable solution to these problems.

### Agricultural trade

Since joining the WTO in 2001, China has made great strides in removing trade barriers and empowering the market to regulate agriculture products, such as by abolishing minimum prices for certain products. In 2019, China's agricultural imports stood at USD 150 billion; its exports, on the other hand, stood at just USD 79 billion. Since 2007, Chinese agricultural imports have consistently exceeded its exports, which reflects greater Chinese demand for agriculture products from other countries (Fig. 2).

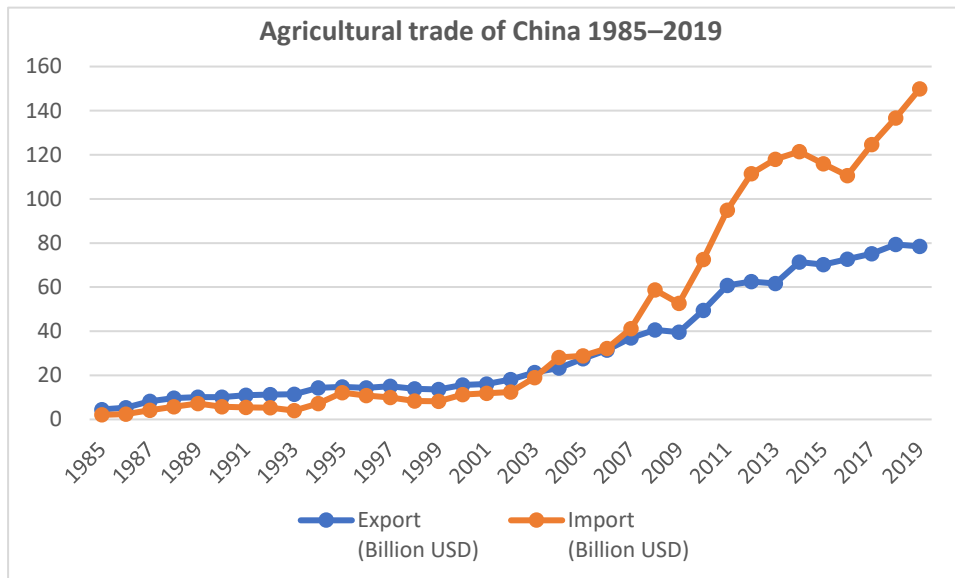


Fig 2. Agriculture Trade of China 1985–2019 (NBS, 2019)

However, recent developments with major trading partners—especially the United States—have complicated China's trade liberalization in the agricultural sector. Retaliatory tariffs imposed on soybean, corn, cotton, pork and other agricultural products have distorted market prices and destabilized the market in 2018–2019. However, in a 2020 US–China phase one trade deal, China has committed to buying additional agricultural products worth USD 32 billion from the US (Rouzi, 2020). The 2021 No. 1 Document explicitly states that diversifying agricultural imports will imply a reduced reliance on US agricultural imports. At the same time, such diversification will ensure domestic food security and strengthen agricultural cooperation with various "Belt and Road" countries. However, any mention of agricultural cooperation with Belt and Road countries is notably absent from this year's document, most likely due to negative attention the Belt and Road Initiative has received in Western countries.

The European Union, at large, has benefited from its agricultural trade with China. According to China Customs data, from 2002 to 2019, Chinese exports of agricultural products to the EU increased by 4.9 times (Ma, 2020). In 2019, China's agricultural exports reached USD 9.44 billion, reflecting an average annual growth rate of 11%—2.7 percentage points higher than that of the United States over the same period. Imports increased by 20.9 times, reaching USD 18.64 billion in 2019, with an average annual growth rate of 19.9%. However, a recent outbreak of African swine flu among wild boars in Poland and Germany prompted a Chinese ban on pork imports from these countries (Ma, 2020).

### Smart agriculture

The No. 1 Document has instructed governments at various levels, as well as the tech sector, to invest in and collaborate with the agricultural sector to increase the quantity and quality of food produced and distributed. 5G, IoT, cloud management, smart farm platforms and blockchain receive well-deserved attention in the document, and investment in such technologies would pay high dividends for Chinese agriculture in the future. China is already well advanced in online marketing and sales of agri-food products via various platforms such as Tmall, Pinduoduo and TikTok. In fact, some Chinese farmers have become influencers and online celebrities, and sell their farm

products directly to customers via these platforms. This trend further highlights the urgency of improving farmers' digital skills.

### Sino-German cooperation in agriculture

The No. 1 Document may provide multiple avenues for further Sino-German cooperation in the agriculture sector. Germany has learned many lessons from its experiences with rural development initiatives that it could share with China. In particular, Germany's green development and the European Green Deal could provide valuable lessons for China's rural green development. Germany can contribute its experience with sustainable agriculture, organic farming and agricultural waste utilization. These practices have not only improved soil quality and protected nature, but also increased the production of high-quality food and ensured food security. German companies could also offer collaboration in the seed and breeding sector with their Chinese counterparts, and China can in turn share its advancements in digitalization of the agriculture and in agri-food e-commerce technology. Although Sino-German agricultural trade was impacted by African Swine Fever (ASF) and COVID-19, trade opportunities for the two countries in the agri-food sector can be expected to increase in the future.

### Conclusion

Consolidating achievements in poverty eradication, rural revitalization, rural infrastructure development, development of modern rural industry system, boosting the seed and breeding sectors, and agricultural green development are the major goals and highlights of this year's No. 1 Document. The success of poverty alleviation and rural revitalization efforts will depend on mitigating the conflicting interests of urbanization and rural development in China. More reforms, like relaxing the *Hukou* household registry system and improving social welfare in rural areas, would aid in genuinely achieving these stated goals. Real implementation and localization of the policies outlined at various administrative levels would determine the success, relevance and longevity of 2021's No. 1 Document, which may also provide multiple avenues for further Sino-German cooperation in the agriculture sector.

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### Disclaimer

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### About the author

Dr. Aihemaitijiang (Ahmatjan) Rouzi obtained a PhD in Geography from the Catholic University of Eichstätt and an MS in Landscape, Ecology and Nature Conservation from the University of Greifswald, Germany. He works as an advisor on agricultural sustainability at the DCZ in Beijing. In his professional and academic career, Dr. Rouzi has worked on sustainable land management, sustainable agriculture, smart agriculture, climate change, water management and urban greening-related projects with a regional focus on China and Central Asia.

### About the project

The Sino-German Agricultural Centre is a joint initiative of the German Federal Ministry of Food and Agriculture (BMEL) and the Ministry of Agriculture and Rural Affairs of the People's Republic of China (MARA). It was established in March 2015 as a central contact and information point and for coordinating bilateral cooperation between Germany and China in the agricultural and food sector. The DCZ brings together stakeholders from the public and private sector and the scientific community. It creates forums in which agricultural issues of common interest are addressed. The spectrum of Sino-German cooperation in the agricultural sector is reflected in the three components of the DCZ: Agricultural Policy Dialogue, Agri-Food Business Dialogue and Scientific Dialogue. Further information can be found on the project website.

<https://dcz-china.org/en/the-project.html>