Study Report

Agricultural subsidy policies and its development in PR China

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Summary

The German-Sino Agricultural Center (DCZ) is a joint initiative of the Federal Ministry of Food and Agriculture (BMEL) of the Federal Republic of Germany and the Ministry of Agriculture (MOA) of the People’s Republic of China. Since its operation started in 2015, the DCZ has proven to be a central point of contact, information and coordination for bilateral cooperation in the areas of agriculture.

Besides regular “Newsletters”, DCZ’s product portfolio consists of “Mission reports” of short-term expert assignments, “Background information reports” (e.g. translations of Chinese policy guidelines), hosts the website dcz-china.org with latest news, downloads and a scientific database, and commissions “Study reports” to local and international experts and extracts “Policy Briefs” of various agricultural policy-related issues.

In the framework of DCZ’s Agricultural Policy Dialogue and its subject-matter of 2017, Agricultural Support Policies and in particular “Subsidy Schemes” in China and Germany, several Sino-German exchange events, like a MOA delegation study tour on EU direct payments in Germany, took place in 2017. The present study report served as a source of preliminary information for the involved discussion partners, especially for those from German partner institutions.

The chapters of the report highlight the main Chinese subsidy policies and their cost development in short profiles, reflect on their effectiveness and are reviewed under their coherence with agro-environmental policy objectives.

This report has been commissioned by DCZ to the Institute of Agricultural Economics and Development (IAED) of China Academy of Agricultural Sciences (CAAS), Prof. Hu Xiangdong and was further revised by DCZ. IAED was also partner institution in the Agricultural Policy Dialogue of 2017.

1. Introduction

As a large agricultural country, China’s “Three Rural Issues” (concerning agriculture, the countryside and the farmers) has ever since been the focus of the party and the country at large. Its underlining problems and challenges will have to further be addressed for a long period of time. The core of Three Rural Issues is the matter of national food security and farmers’ income. This has to be solved properly to ensure quality of economic growth and modernization. As one of the most important and commonly used policy instrument for agriculture support and protection, agricultural subsidies play an important role in the maintenance of farmers’ rights to subsistence and development. However there appears to be various problems concerning agricultural development since the reform of the rural economic system that has been implemented since 1978.

Subsidy policies for specific issues were carried out and introduced and fundamental investment in agriculture increased, in order to ensure a healthy and stable development of agriculture. Early this century, subsidy policies were implemented in the framework regulations of WTO with China’s accession in 2001. China then conducted pilot projects of direct subsidies for grain production in 2002, due to the pressure of agricultural trade negotiations. Direct subsidy payments were extended in 2004 to the whole country. Furthermore the No.1 Central Document of 2004 marked the introduction of new subsidy policies for agriculture, covering subsidies for grain production, superior crop varieties, agricultural machinery, and a minimum purchase price for rice. Until 2016, China has issued thirteen No.1 Central Documents in order to speed up agricultural modernization, ensure food security and food safety, improve production conditions, encourage farmers’ enthusiasm, foster new business entities, promote moderately scale operation, enhance standardized production, reduce agricultural risks, promote energy saving and emission reduction measures, improve the rural environment, and guide the seed and processing industry. These No.1 Central Documents expanded the scope of subsidies and increased the volume of subsidies year by year, formed a policy framework integrating agricultural production and farmers’ income, as well as comprehensive subsidies and specific subsidies.
The features of subsidy policies are as follows: Firstly, this paper highlights four subsidies with main targets, i.e. direct subsidy for grain production, subsidy for agricultural materials, subsidy for superior crop varieties and agricultural machinery. Secondly, it covers crop production, livestock production, forestry and fishery. Thirdly, it integrates subsidies for key regions (major agriculture production zones) and for the whole nation. Fourthly, it covers the whole value chain including agricultural materials, production, and processing. Fifthly, it focuses on agricultural resources, the environment and ecology.

2. Main subsidy policies

2.1 Direct subsidy for grain production

(1) Starting year
This policy started in 2004. In 2016, it was integrated into the “agricultural support and protection subsidy”.

(2) Purpose of subsidy
The original indirect subsidy on purchase and sale of grain has been changed into a direct subsidy to grain growers to reduce the impact of price fluctuation of agricultural products on farmers’ income.

(3) Changes over years

![Graph showing changes over years](image)

(4) The amount of subsidy
The subsidy was funded by both central and local governments, with an average amount of 30 Yuan/mu for major producing provinces and 20 Yuan/mu for non-major producing provinces.

(5) Subsidy mode
The subsidy was calculated based on actual planting areas of wheat, corn and rice in major producing areas, and transferred directly to bank account of farmers before the planting season.

2.2 Comprehensive subsidy for agricultural materials

(1) Starting year
This policy started in 2006. In 2016, it was integrated into the “agricultural support and protection subsidy”.

(2) Purpose of subsidy
To reduce the impact of price inflation of agricultural materials such as chemical fertilizer, pesticide and diesel, stabilize the cost for grain production and guarantee farmers’ return from grain production.

(3) Changes over years

![Graph showing changes over years](image)

(4) The amount of subsidy

The amount of subsidy is adjusted dynamically according to price change of agriculture materials including chemical fertilizer and diesel.

(5) Subsidy mode

The principle of “taking price changes into consideration, dynamic adjustment and continued increase” was applied to arrange and increase the subsidy, and mitigate increased cost of agriculture materials for farmers.

For 2006-2007, the subsidy was transferred to local governments as a lump-sum payment by the central government, and then transferred to individual farmers.

For 2008-2016, this comprehensive subsidy for agricultural materials, together with direct subsidy for grain production was directly transferred to bank accounts of farmers before planting season.

2.3 Subsidy for superior crop varieties

(1) Starting year

This policy started in 2002. In 2016, it was integrated into the “agricultural support and protection subsidy”.

(2) Purpose of subsidy

To further support grain production, increase the income of grain farmers.

(3) Changes over years
1) The main wheat varieties were of better quality, taking into account the high gluten and medium gluten wheat varieties. For 2003-2004, the subsidy was 0.1 billion Yuan per year, covering an area of 10 million mu and 5 provinces; for 2005-2007, the subsidy was 1 billion Yuan per year, covering an area of 100 million mu and 11 provinces; while for 2008-2016, the subsidy was 2 billion Yuan per year, covering an area of 200 million mu and 13 provinces.

2) The main corn varieties include silage corn and other special corn with high starch and oil content. For 2004-2005, the subsidy was 0.1 billion Yuan per year, covering an area of 10 million mu and 8 provinces; for 2006-2007, the subsidy was 0.3 billion Yuan per year, covering an area of 30 million mu; for 2008-2016, the subsidy was 2 billion Yuan per year, covering provinces with planting area of 10 million mu.

3) The soybean variety is a high oil content soybean (i.e. oil content higher than 21%, protein content higher than 38%, mainly for oil production), covering three provinces in Northeastern China and Inner Mongolia. For 2002, the subsidy was 0.1 billion Yuan, covering an area of 10 million mu; for 2003, the subsidy was 0.2 billion Yuan, covering an area of 20 million mu; for 2004-2007, the subsidy was 0.1 billion Yuan per year, covering an area of 10 million mu; for 2008-2016, the subsidy was 0.4 billion Yuan, covering an area of 40 million mu.

4) Cotton: for 2007-2016, the subsidy was 0.5 billion Yuan, covering an area of 33.33 million mu, mainly in 3 cotton producing area of Yellow River-Hai River- Huai River basin, Yangtze river basin and Xinjiang.

5) Rape seed: For 2007-2016, the subsidy covers an area of 100 million mu, mainly in rape seed dominant areas of Yangtze River basin.

(4) The amount of subsidy

10 Yuan/mu for wheat, corn, soybean, rape seed and highland barley, including 15 Yuan/mu for wheat variety in Xinjiang; 15 Yuan/mu for early season/middle season rice and japonica rice; 7 Yuan/mu for late mature rice; 15 Yuan/mu for cotton; 0.1 Yuan/one for potato; 100 Yuan/mu for first class/second class seed potato; 50 Yuan/mu for peanut breeding, and 10 Yuan/mu for field peanuts.

(5) Subsidy mode

Subsidy is paid in the form of cash for rice, corn, and rape seed. Subsidy may be paid in the form of cash or the price disparity for seed purchase of wheat, soybean and cotton. This can be determined by each province according to the actual situation.

2.4. Subsidy policy for purchase of agricultural machinery

(1) Starting year
This policy started in 2004.

(2) Purpose of subsidy
To promote agricultural modernization and improve agricultural production efficiency

(3) Changes over years

(4) The amount of subsidy
A unified subsidy quota is applied for the same type and same level of agricultural machinery in a province. The subsidy from central government is no more than 50,000 Yuan for general equipment; no more than 120,000 Yuan for milking machine and dryer; no more than 150,000 Yuan for machines with more than 100 horsepower, e.g. large tractor, forage harvester, large direct driller, large combined harvester, and program-controlled equipment for rice soaking and pregermination; no more than 250,000 Yuan for tractor with more than 200 horsepower; no more than 400,000 for large sugarcane harvester; no more than 600,000 Yuan for large cotton harvester.

(5) Subsidy mode
Subsidy is provided related to the proportion to farmers that show an invoice of purchase of agricultural machinery.

2.5. Subsidy policy for scrapped agricultural machinery

(1) Starting year
This policy started in 2012.

(2) Purpose of subsidy
To accelerate the elimination of old and high energy consuming agricultural machinery, encourage and guide the replacement of old machinery, and optimize the structure of agricultural machinery for safeguarding operation of agricultural machinery.

(3) Changes over years
For 2012-2014, pilot sites were implemented in 11 provinces/municipalities/autonomous region.
For 2012-2014, pilot sites were implemented in 17 provinces/municipalities/autonomous region.

(4) The amount of subsidy
Subsidy varies from 500 to 11000 Yuan according to the horsepower of tractors; from 3000 to 18000 Yuan according to the amount of feed (or No. of rows) of combined harvester.

(5) Subsidy mode
Subsidy for discard and purchase of agricultural machinery is implemented simultaneously. The types of agricultural machinery to be subsidized are tractors and combined harvesters, which have been registered in supervision organizations for agricultural machinery safety, and have reached the discard standard or exceeded expiry date. The amount of subsidy depends on the type and model of tractors and combined harvesters.

2.6. Subsidy policy for new agricultural business entities

(1) Starting year
This policy started in 2014.

(2) Purpose of subsidy
To cultivate new agricultural business entities and promote moderate scale operation.

(3) Changes over years
For 2014-2016, the subsidy was used to support moderate scale operation for grain production. Key target groups are major planting households, family farms and farmers’ cooperatives.

(4) The amount of subsidy
Totaling 23.4 billion Yuan/year.

(5) Subsidy mode
The subsidy is used to establish a guarantee system or provide allowance for the purchase of agricultural machinery.

2.7. Subsidy policy of minimum purchase price for wheat and rice

(1) Starting year
This policy started in 2004 in major grain producing areas.

(2) Purpose of subsidy
To compensate increased cost for grain production, stabilize areas for grain production, and guarantee grain supply.

(3) Changes over years
In 2004, the policy was applied in some major rice producing areas in southern China.
In 2006, the policy was applied in 6 major wheat producing areas, and in some part of Heilongjiang province for japonica rice.

(4) The amount of subsidy
(5) Subsidy mode

Qualified grain companies are commissioned by the state government to purchase farmers’ grain at minimum price set by the state when market prices are lower than the minimum purchase price.

2.8. Incentive policy for key grain (oil) producing counties

(1) Starting year

This policy started in 2005.

(2) Purpose of subsidy

To improve and enhance the financial situation of key grain (oil) producing counties, and encourage local governments to highlight grain (oil) production.

(3) Changes over years

(4) The amount of subsidy

The incentive standard is 5-80 million Yuan for key grain producing counties, and no less than 1 million Yuan for key oil producing counties, the incentive funds are used to support oil production and industry development.

(5) Subsidy mode

1) Selection criteria for key grain producing counties: The average grain yield or the amount of commodity grain for 5 years are ranked in the top 100 key grain producing counties.
Criteria for fund allocation: the amount of commodity grain, the grain yield, and planting area will be taken into account, accounting for 50%, 25%, 25% respectively.

2) Selection criteria for key oil producing counties: The central government does not set the criteria for key oil producing counties considering the huge differences in natural conditions and varieties. Provincial governments define detailed conditions in accordance with the principle of “highlighting key species, awarding key counties”.

Criteria for fund allocation: the average oil output (converted from the output of oil crops, soybean, cotton seed, and camellia seed) will be used as the factor for reward according to the fat ratio provided by administration authorities. In order to promote soybean and rape seed production, the reward coefficient will be increased by 20% for rape seed; the reward for soybean will not be deducted from that figure, which has been calculated in the key grain producing counties. Cotton seed is rewarded with 50% of its oil output. The amount of incentive fund is then determined against that for key grain producing counties, and according to the provincial financial situation.

2.9. Incentive policy for key pig (sheep/cattle) raising counties

(1) Starting year
The incentive policy for pig raising started in 2007 and for sheep/cattle in 2015.

(2) Purpose of subsidy
To stimulate the interest of local governments to expand pig (sheep/cattle) raising.

(3) Changes over years

(4) The amount of subsidy
The reward fund for each county is not less than 1 million Yuan.

(5) Subsidy mode
1) For key pig raising counties, the average No. of pigs exported, slaughtered, and on hand over the past 3 years will be considered as 3 factors for reward, accounting for 50%, 25%, and 25% respectively. Subsidy will be provided to top the 500 key pig raising counties.

2) For key sheep/cattle raising counties, the average No. of sheep/cattle exported, slaughtered, and on hand over the past 3 years will be considered as 3 factors for reward, accounting for 50%, 25%, and 25% respectively. Subsidy will be provided to top the 500 key sheep/cattle raising counties.

2.10. Subsidy policy of target price for agricultural products

(1) Starting year
This policy started in 2014.

(2) Purpose of subsidy
To give full play to the decisive role of the market by allocation of resources and price formation under the premise of ensuring the interests of farmers, in order to promote the coordinated development of downstream and upstream industry.

(3) Changes over years
This policy started in 2014 for cotton in Xinjiang and for soybean in Northeast and Inner Mongolia, 19800 Yuan/ton of cotton, and 4800 Yuan/ton of soybean.

(4) The amount of subsidy
The amount of subsidy is adjusted dynamically according to the supply and demand of agricultural products and their price fluctuation.

(5) Subsidy mode
To subsidize low income consumers when the market price is higher than the target price, and to subsidize producers when the market price is lower than target price.

2.11. Subsidy policy for standardized production of vegetables, fruits and tea

(1) Starting year
This policy started in 2013

(2) Purpose of subsidy
To strengthen the comprehensive production capacity of horticultural products, further improve standardized production of horticultural products including vegetables, fruits and tea.

(3) Changes over years
In 2013, pilot sites were implemented in North China for green house vegetables.
In 2016, a series of demonstration zones for vegetables, fruits and tea were constructed, which features of scale operation, standardized production and brand marketing.

(4) The amount of subsidy
Each demonstration zone can obtain 500,000 Yuan.

(5) Subsidy mode
Subsidy was provided to demonstration zones after inspection and acceptance, in accordance with the principle of “construction before subsidizing”.

2.12. Key technologies for disaster prevention and mitigation

(1) Starting year
This policy started in 2012.

(2) Purpose of subsidy
To support agricultural production in major grain producing areas, improve the capacity for disaster prevention and mitigation.

(3) Changes over years
(4) The amount of subsidy

1) In Northeast China, mainly targeting technologies such as pumping, transportation of water and water tanks, 5 Yuan/mu.

2) For winter wheat producing regions, mainly targeting pesticides, fungicides, plant growth regulators and foliar fertilizers, 5 Yuan/mu;

3) For Southeast China’s arid regions, mainly targeting plastic film recycling, 20 Yuan/mu;

5) For rape seed, mainly targeting foliar fertilizers and pesticides, 10 Yuan/mu.

(5) Subsidy mode

There are two forms of subsidies, i.e. cash or materials, according to actual operating areas. Cash should be transferred to the bank account of farmers or service providers by the financial department, according to the principle of “operating before subsidizing, public notification before paying cash”. Materials should be provided before the task assignment, through provincial or county level government procurement.

2.13. Subsidy policy for soil testing and targeted fertilization

(1) Starting year

This policy started in 2013.

(2) Purpose of subsidy

To improve scientific fertilizer application, promote agricultural production, agricultural efficiency, and energy-saving and emission reduction.

(3) Changes over years

In 2011, technical service for soil testing and targeted fertilization was provided to 170 million households for free, covering an area of 1.2 billion mu.

In 2012, 100 counties (state owned farms), 1000 townships and 10,000 villages were selected as pilot sites for soil testing and a targeted fertilization program, covering 180 million households.

From 2013-2016, technical service was provided to 190 million households, covering an area of 1.4 billion mu.

In 2016, a number of key counties were selected as pilot sites for reduced fertilizer application but with improved efficiency.

(4) The amount of subsidy

For 2014-2017, totaling 0.7 billion Yuan.
2.14. Subsidy policy for high yield production of grain, cotton, oil and sugar

(1) Starting year
This policy started in 2010.

(2) Purpose of subsidy
To promote stable production of grain, cotton, oil, and sugar, to extend advanced and practical technology for large scale balanced production.

(3) Changes over years
In 2010, 1 billion Yuan was allocated by the central government for setting up 5000 demonstration zones with an area of 10,000 mu each.
In 2011, 1.5 billion Yuan was allocated by central government for setting up 5000 demonstration zones with an area of 10,000 mu each.
In 2012, funds were used to consolidate 5000 demonstration zones, 500 entire townships of 50 counties; 5 major grain producing cities with better natural condition, yield potential, and high level of science and technology were selected to carry out demonstration in the whole city.
In 2013, 2 billion Yuan was allocated by the central government for setting up 12500 demonstration zones with an area of 10,000 mu each.
In 2014, 2 billion Yuan was allocated by the central government to support demonstration zones and promotion in whole administrative area, extend standardized technical models to achieve high yield and efficiency, which are better suited in those regions.
In 2015, 2 billion Yuan was allocated by the central government to promote demonstrations in whole administrative areas.
In 2016, subsidy was used to promote demonstrations in whole administrative areas.

(4) The amount of subsidy
160,000 Yuan was made available for each demonstration zone; this may be adjusted slightly according to the local situation.

(5) Subsidy mode
National/provincial level commodity grain counties (farms), which have better natural conditions and contiguous farmland of 10000 mu, are selected and subsidized in the form of technical extension, professional service, materials, information service and performance evaluation, following expert arguments, submission and acceptance.

2.15. Subsidy policy for zero growth of chemical fertilizer and pesticide

(1) Starting year
This policy started in 2014.

(2) Purpose of subsidy
To improve fertilizer use efficiency, and optimize the structure of fertilizers.

(3) Changes over years

In 2014, 3 million Yuan of project funds were allocated by the central government to demonstrate integrated models for high efficiency and slow release fertilizers. Pilot sites were selected in 5 provinces of Heilongjiang, Jilin, Henan, Gansu and Shandong, to extend integrated models for use of corn seed and slow release fertilizers with a single application, and basal dressing of slow release fertilizer for film mulched spring corn.

In 2015-2016, special funds of 9.96 million Yuan were arranged by the central government to demonstrate low toxicity bio-pesticides in horticulture including vegetables, fruits and tea. Pilot sites were selected in 42 counties of 17 provinces including Beijing, to subsidize farmers’ increased cost due to application of low toxic bio-pesticides, and to promote the application and extension of low toxic bio-pesticides.

(4) The amount of subsidy

No less than 230,000 Yuan for each demonstration county.

(5) Subsidy mode

The subsidy was transferred to demonstration counties after acceptance in accordance with the principle of “completing before subsidizing”.

2.16. Subsidy policy for arable land protection and quality improvement

(1) Starting year

This policy started in 2014.

(2) Purpose of subsidy

To support straw returning to the field and growing green manure, encouraging the application of organic fertilizer, improve soil fertility, rural ecological environment and quality of arable land.

(3) Changes over years

In 2014, the soil organic matter upgrading program was shifted to an arable land protection and quality improvement program.

From 2015-2016, the central government arranged special funds of 800 million Yuan to implement pilot projects in some counties (farms) for arable land quality improvement; arranged 500 million Yuan to implement pilot projects in 17 counties (farms) of 4 Northeast provinces for black soil conservation and utilization.

(4) The amount of subsidy

No less than 800,000 Yuan for each county

(5) Subsidy mode

Appropriate technical models and the amount of subsidy should be determined in accordance with “Outline of technical model for arable land protection and quality improvement” issued by the Ministry of Agriculture, in the form of materials or technical services.

2.17. Supporting policy for promoting the development of seed industry

(1) Starting year

This policy started in 2015.
(2) Purpose of subsidy
To improve innovation capacity of China’s seed industry in breeding work, and promote the development of modern agriculture.

(3) Changes over years
In 2015, the following measures were carried out: subsidize key seed producing counties (including key counties for research and breeding in Hainan); display and demonstrate new varieties; organize special actions against infringement of variety right and selling counterfeit seeds; release information on seed price and supply and demands of seeds; promote scientific research on improved varieties of corn and soybean; put forward the flow of research resources and talents to enterprises.
In 2016, the following measures were carried out: promote reform on benefit-sharing in seed industry; push forward the program on modern seed industry; continue to subsidize key seeds producing counties.

(4) The amount of subsidy
The amount of subsidy is 5 million Yuan/year for key seeds companies and 2 million Yuan/year for other companies.

(5) Subsidy mode
Well performed companies will be awarded in a progressing way by putting the insurance for seeds production of major grain crops into the subsidy directory.

2.18. Subsidy policy for establishment of tracing system for agricultural products
(1) Starting year
This policy started in 2011.

(2) Purpose of subsidy
To achieve the goal that “subjects of liability and production processes are recorded, responsibility can be traced, the flow direction of products can be followed, and monitoring information can be shared”, covering 7 categories of products; vegetables, fruits, rice, pork, beef, chicken, and fresh water fish certified with “pollution free food, green food, organic food, and agro-product geographical indications”.

(3) Changes over years
By 2015, a group of companies were formed on the basis of a land reclamation system, which are competitive in domestic and international markets and products and which products can be traced; a number of traceable agricultural products should be pushed out, covering competitive industries of land reclamation system, according to the Development Plan on Quality Traceability System of Agricultural Products Produced by Land Reclamation Bureau (2011-2015).
By 2020, the planning and standard system for quality traceability should be improved, legal system will further improve, and national mechanism for sharing and exchange of tracing data should function, according to Opinions of the general office of the State Council on accelerating the establishment of traceability system for important products (2016).

(4) The amount of subsidy
The total investment is 49.85 million Yuan, which is used to establish a national information platform for quality tracing and management of agricultural products, and develop a national information system for quality tracing and management of agricultural products.
(5) Subsidy mode
Subsidy is provided by means of funds, training and equipment.

2.19. Subsidy policy for piloting counties on quality and safety of agricultural products

(1) Starting year
This policy started in 2014.

(2) Purpose of subsidy
To further improve quality and safety of agricultural products, and ensure food safety and consumer safety.

(3) Changes over years
In 2014, the goal was to establish effective supervision mechanisms for quality and safety of agricultural products, targeting counties of the Vegetable Basket Program.
In 2015, 103 counties and 4 cities were selected as pilots for quality and safety improvements of agricultural products.
In 2016, the scope was expanded with a target of covering all counties of the Vegetable Basket Program within 5 years, to upgrade supervision capability of pilot counties.

(4) The amount of subsidy
1 million Yuan/year for each pilot county, and 1.5 million Yuan/year for each pilot city.

(5) Subsidy mode
A lump sum payment will be made after acceptance, in accordance with the principle of “implementing before subsidizing”.

2.20. Subsidy policy for breed improvement

(1) Starting year
This policy started in 2005

(2) Purpose of subsidy
To push forward breed improvement and upgrade the animal husbandry management capacity, and facilitate income generation of animal husbandry farm owners.

(3) Changes over years
From 2011 to 2012, a total amount of 1.19 billion Yuan was supplied to cover cattle and sheep losses under the subsidy and incentive scheme for grassland ecological protection in 8 herding areas and provinces.
From 2013 to 2016, a total amount of 1.2 billion Yuan was disbursed as price subsidy for livestock farmers in related provinces to purchase improved boar (bull) semen and qualified rams, yaks and bulls.

(4) The amount of subsidy
40 Yuan per breeding sow for pig breed improvement;
10 Yuan per breeding cow for beef breed improvement
800 Yuan per ram for sheep breed improvement;
2000 Yuan per yak bull for yak breed improvement;
Dairy cow breed improvement standard is 30 Yuan per breeding cow for Holstein, Jersey and diary buffalo cattle, 20 Yuan per breeding cow for other breeds.
For qualified Holstein breeding embryo, the amount of subsidy is 5000 Yuan per breeding embryo.
(5) Subsidy mode
Livestock farm owners shall, in light of a livestock breed improvement subsidy catalogue, purchase live animals and the subsidy shall be delivered proportionately.

2.21. Subsidy policy for standardized livestock production
(1) Starting year
The standardized livestock production policy started in 2007
(2) Purpose of subsidy
To promote facility livestock farming, promote standardized production, promote systematic anti-epidemic system, promote environmentally friendly waste disposal and standardize supervision management
(3) Changes over years

(4) The amount of subsidy
Annual subsidy for construction of standardized pig production farm (block) is 2.5 billion Yuan
Annual subsidy for construction of standardized dairy production farm (block) is 1 billion Yuan
Annual subsidy for construction of standardized beef production farm (block) is 300 million Yuan
(5) Subsidy mode
Subsidy shall be supplied as lump-sum transfer payment after the successful constructions and go through wrap up test.

2.22. Subsidy policy for animal epidemic disease prevention
(1) Starting year
The Animal epidemic disease prevention subsidy policies started in 2011, which include a compulsory immunization subsidy policy for significant animal epidemic diseases, livestock and poultry damage
subsidy policy for preventing epidemic diseases, grass-root worker subsidy for preventing animal epidemic diseases and dead pig innocuous treatment subsidy for pig farms.

(2) Purpose of subsidy

To motivate the grass-root efforts to take part in the prevention and control of the animal epidemic diseases, and efficiently prevent and control the animal epidemic diseases.

(3) Changes over years

From 2012 to 2013, the central government disbursed 780 million Yuan subsidy fund to cover the workforce cost for village level epidemic prevention officers to carry out compulsory immunization and other animal epidemic disease prevention work. Pig farms with sale of over 50 heads annually would be subsidized at 80 Yuan/head as for innocuous treatment of dead pigs

(4) The amount of subsidy

- Free of charge vaccines
- 80 Yuan per head for innocuous treatment of dead pigs
- 10 Yuan per head for innocuous treatment of dead poultry

(5) Subsidy mode

The subsidy fund shall be shared between central and local treasures.

2.23. Subsidy policy for grassland ecological conservation

(1) Starting year

The grassland ecological conservation subsidy has started in 2011.

(2) Purpose of subsidy

To conserve grassland ecosystem, ensure the supply of beef, mutton and other livestock products, and increase herders’ incomes.

(3) Changes over years

In 2011, a total of 13.6 billion Yuan subsidy fund was disbursed, covering 8 regions and provinces of important grazing areas and Xinjiang Production and Construction Corps.

In 2012, a total of 15 billion Yuan subsidy fund was disbursed and covered 13 provinces/autonomous regions of important grazing and semi-grazing areas and Xinjiang Production and Construction Corps.
In 2013, a total of 15.946 billion Yuan subsidy fund was disbursed, covering 13 regions and provinces of important grazing and semi-grazing areas and Xinjiang Production and Construction Corps.

In 2014, a total of 15.769 billion Yuan subsidy fund was disbursed and covered 13 regions and provinces of important grazing and semi-grazing areas and Xinjiang Production and Construction Corps.

In 2015, a total of 16.649 billion Yuan subsidy fund was disbursed and covered 13 regions and provinces of important grazing and semi-grazing areas and Xinjiang Production and Construction Corps.

In 2016, a total of 19 billion Yuan subsidy fund was disbursed and covered 13 regions and provinces of important grazing and semi-grazing areas and Xinjiang Production and Construction Corps.

(4) The amount of subsidy

6 Yuan per mu of grassland shall be subsidized to herders to carry out grazing exclusion scheme.

Following the ratified stocking rate, an amount of 1.5 Yuan per mu per year shall be subsidized to herders with no overgrazing problems as forage -livestock balance reward.

Herders shall be granted with production subsidies, including livestock breed improvement subsidy and pasture improvement subsidy (10 Yuan per mu per year). Each herder household shall be entitled with comprehensive production material subsidy of 500 Yuan per year.

(5) Subsidy mode

A lump-sum subsidy shall be paid to qualified herders in terms of transferring payment after their grasslands successfully went through a wrap up test, in accordance with the principle of “implementing before subsidizing”.

2.24. Supporting policy for alfalfa development in dairy business

(1) Starting year

This policy for revitalizing diary started in 2012

(2) Purpose of subsidy

To extend improved alfalfa varieties, apply standardized production technologies, improve production facilities and strengthen quality management.

(3) Changes over years

From 2012-2016, the central government arranged 525 million Yuan each year to implement high-yield qualified alfalfa pilot areas of 0.5 million mu, of which 300 million Yuan was used for pilot construction of high-yield and qualified alfalfa and 200 million Yuan was used as subsidies for production, harvesting and processing machinery and 25 million Yuan was used as species improvement subsidy.

(4) The amount of subsidy

An amount of 600 Yuan per mu shall be subsidized to the alfalfa pilot farm and the farm should be larger than 3000 mu.

(5) Subsidy mode

The principle of implementing before subsidizing shall be applied. A total of 50% subsidy fund shall be paid in advance when the subsidy pilot is granted and the remnant 50% subsidy fund shall be paid when the pilot work completes wrap-up evaluation. Were the pilot project disqualified, the prepaid
50% subsidy shall be withdrawn or the remnant 50% shall be retained till the pilot made mandated corrections within the required time framework.

2.25. Subsidy policy for fishery diesel

(1) Starting year
The fishery diesel subsidy policy started in 2010. The target groups include the qualified fishermen as well as fishery enterprises equipped with motor vessels and involved in domestic marine fishing, pelagic fishing, freshwater fishing and fish farming.

(2) Purpose of subsidy
To improve incomes of the fishermen, sustain sustainable fishery development and supply of aquatic products

(3) Changes over years

![Graph showing subsidy policy for fishery diesel]

(4) The amount of subsidy
The amount of subsidy shall be dynamically adjusted according to fuel price fluctuation.

(5) Subsidy mode
The subsidy takes effect when the state determined ex-factory prices of petrol and diesel increasing above 4400 Yuan/ton and 3870 Yuan/ton respectively, and shall be terminated when the monitored prices are lower than the aforesaid criteria.

2.26. Policy to support preliminary processing in original places of agricultural products

(1) Starting year
The policy to support preliminary processing in original places of agricultural products started in 2012

(2) Purpose of subsidy
To improve preliminary processing capacity of original places, mitigate post-production losses of agricultural products and upgrade agricultural product quality by using financial subsidy to help the farmers build storage, drying and other agricultural processing facilities.

(3) Changes over years
A total amount of 500 million Yuan subsidy was disbursed from 2012 to 2015 and covered 11 provinces and regions, including Hebei Province.
A total amount of 600 million Yuan subsidy was disbursed in 2016 and covered 11 provinces and regions, including Hebei Province.

(4) The amount of subsidy
The average amount of subsidy shall be no less than 370,000 Yuan for each farmer’s professional cooperative.

(5) Subsidy mode
The financial set-quota subsidy from the central government against the stated facility catalog shall be applied nationwide. Unified quota subsidy shall be introduced. The subsidy shall be subject to no more than 30% of the average construction cost of the individual facility.

2.27. Subsidy policy for rural biogas construction

(1) Starting year
This policy started in 2003.

(2) Purpose of subsidy
To facilitate rural clean energy development and improve the farmers’ living conditions

(3) Changes over years
In 2010, totaling 5.2 billion Yuan
For 2010-2016, totaling 4.3 billion Yuan/year

(4) The amount of subsidy
The subsidy standard for household biogas in western regions, central regions and eastern regions shall be 1500 Yuan/household biogas plant, 1200 Yuan/household biogas plant and 1000 Yuan/household biogas plant respectively; with regard to the village service stations in western regions, central regions and eastern regions, the amount of subsidy shall be 45000 Yuan/station, 35000 Yuan/station and 25000 Yuan/station respectively.

(5) Subsidy mode
The cost of rural household biogas construction shall be shared among the central government, local governments and farmers, and the investment proportion shall be at 1: 0.5: 0.5 among the fund raisers. The principle of constructing before subsidizing shall be adopted and a lump sum subsidy shall be disbursed when the constructions pass experts’ approval.

2.28. The policy for cultivating new type of professional farmers

(1) Starting year
The policy for cultivating new type of professional farmers started in 2012

(2) Purpose of subsidy
To improve farmers’ quality and promote modern agricultural development

(3) Changes over years
The number of pilot counties in 2014 was increased by 200 and reached 300. Two or three leading industries were identified for each of the pilot county.

A total of 1.1 billion Yuan was disbursed as training funds. And the demonstrations in whole administrative areas in 500 pilot counties, 20 cities and 4 provinces were carried out in 2015.
A total of 1.39 billion Yuan was disbursed as training funds. The demonstrations in whole administrative areas in 500 pilot counties, 30 cities and 8 provinces were carried out in 2016 (including 100 modern agriculture demonstration pilots).

(4) The amount of subsidy
Training subsidy of 3 million Yuan per pilot counties shall be disbursed and an amount of 50,000 Yuan per person shall be subsidized to outstanding new type of professional farmer representatives.

(5) Subsidy mode
The subsidy shall be delivered in forms such as trainings, materials and facilities.

2.29. Policy for development of new rural cooperative financial organizations

(1) Starting year
The policy for development of new rural cooperative financial organizations has been implemented since 2014

(2) Purpose of subsidy
To cultivate rural cooperative finance, and facilitate the development of community based rural capital mutual aid organizations

(3) Changes over years
From 2014 -2015, the community based rural capital mutual aid organization was promoted.
In 2016, the management mechanism for the new type of rural cooperative financial organizations was improved and the locals were encouraged to establish risk compensation funds.

(4) The amount of subsidy
The subsidy varies according to the development and soundness of the rural cooperative financial organizations.

(5) Subsidy mode
A lump-sum payment will be made after acceptance, in accordance with the principle of implementing before subsidizing.

2.30. Policy for the development of farmers’ professional cooperatives

(1) Starting year
This policy came started in 2003.

(2) Purpose of subsidy
To strengthen the service functions and self-development capacity of the farmers professional cooperatives

(3) Changes over years
From 2003 to 2010, a total amount of 1.8 billion Yuan subsidy was allocated to subsidize insurance premium against secured loans granted to cooperatives in 5 provinces and cities including Beijing.
From 2011 to 2013, a total amount of 1.85 billion Yuan subsidy was disbursed to continue piloting work on insurance premium subsidy against secured loans granted to cooperatives in 5 provinces and cities including Beijing.
In 2014, a total amount of 2 billion Yuan subsidy was disbursed to continue piloting work on insurance premium subsidy against secured loans granted to cooperatives in 5 provinces and cities including Beijing.

From 2015 to 2016, a total amount of 2 billion Yuan subsidy was disbursed to continue piloting work on insurance premium subsidy against secured loans granted to cooperatives in 5 provinces and cities including Beijing.

(4) The amount of subsidy
An amount of 400 million Yuan subsidy fund shall be allocated to each of the piloting province and/or city.

(5) Subsidy mode
The demonstration professional cooperatives shall be subsidized in a lump sum when they successfully go through the examination and appraisal process. The cooperatives with credit applications shall be subsidized in terms of discounted interest.

2.31. Subsidy policy to support agricultural insurance

(1) Starting year
Agricultural insurance premium subsidy policy funded by central finance started in 2007.

(2) Purpose of subsidy
To ensure the agricultural production safety, and significantly improve business operation environment of agricultural insurance.

(3) Changes over years
From 2004 to 2007, 1 billion Yuan subsidy for insurance premium was disbursed to cover 5 major grain crop insurance in 6 provinces.

In 2008, policy supported agricultural insurance pilot scope was extended and more policy support was leveraged to production of grain, oil, pig and dairy cattle.

From 2009 to 2011, insurance premium subsidy of 9.406 billion Yuan was disbursed. The coverage was extended from initial 6 provinces to nationwide and the scope was increased from 6 species to 15 species.

In 2012, the sugar crops were incorporated into central financial subsidy scope. On the base of minimum 25% of subsidy sourced from provincial finance, the percentages of 35%, 40% and 65% of subsidy fund was provided by central finance to eastern region, central and western region, Xinjiang Production and Construction Corps and the state directly administrated farms respectively; with regard to breeding sow and dairy cows in eastern region under livestock production insurance, 40% of subsidy was provided from central finance on the base of minimum 30% from local finance; with regard to pig fattening insurance, on the base of minimum 10% of subsidy from local finance, another 10% subsidy was funded by central finance.

In 2015, with regard to crop insurance, on the base of minimum 25% of subsidy sourced from provincial finance, the percentages of 40% and 35% of subsidy fund was provided by central finance to central and western region and eastern region respectively. With regard to insurance of breeding sow, dairy, fattening pig, on the base of minimum 30% of subsidy sourced from local finance, the percentages of 50%, 40% and 80% of subsidy fund was provided by central finance to central and western region, eastern region and state-directly administrated farms.

In 2016, in the case that provincial finance provided insurance premiums for 3 major grain crops higher than 25% to the counties of significant grain production, the central finance assumed 50% of
the aforementioned extra payment. The central finance assumed percentages of 47.5% and 42.5% of the subsidy for central western region and eastern region respectively.

(4) The amount of subsidy
The amount of subsidy shall be determined according to the object of insurance and in light of the actual circumstances of different regions.

(5) Subsidy mode
Central and provincial finances shall provide the subsidy against agricultural insurance products of financial companies and the subsidy shall be disbursed to farmers who meet the insurance conditions and have purchased relevant insurance products.

2.32. Policy for developing ecological farms and family farms

(1) Starting year
Policy for developing ecological farms and family farms started in 2012.

(2) Purpose of subsidy
To develop green, environmental friendly and ecologically sound rural villages, and facilitate modern agricultural development.

(3) Changes over years
In 2012, 635 million Yuan for supporting family farms was supplied.
In 2016, efforts were made to implement relevant policies, such as agricultural construction project, financial subsidy, preferential taxes, credit support, guaranteed mortgage, agricultural insurance and land use for facilities and etc.

(4) The amount of subsidy
The amount of subsidy shall be determined according to the scientific assessment criteria of ecological farms and family farms.

(5) Subsidy mode
A lump-sum subsidy shall be disbursed to the applicants after acceptance, in accordance with the principle of implementing before subsidizing.

2.33. Policy to improve the confirmation, registration and issuance of certificates on the right to the contracted management of rural land

(1) Starting year
The policy to improve confirmation, registration and certification of rural land contractual management right started in 2013.

(2) Purpose of subsidy
To improve rural basic economic scheme, protect the farmers’ land rights, facilitate modern agricultural development and improve the rural governing system.

(3) Changes over years
In 2013, a total of 105 counties (cities and districts) were identified to extend the piloting work on the confirmation, registration and issuance of certificates on the right to the contracted management of rural land.
In 2014, the entire administrative areas of 3 provinces plus 27 counties of other provinces were identified to extend the piloting work on registration and certification of rural contractual land management rights.

In 2015-2016, the entire administrative areas of 9 provinces and regions were identified to extend the piloting work on registration and certification of rural contractual land management rights.

(4) The amount of subsidy
The costs occurred during the confirmation and registration process, such as cadastral survey, verification of rights, registration and inventory and land certification, shall be subsidized and free of charge services shall be provided to the registered rural family applicants.

(5) Subsidy mode
The subsidy shall be delivered in forms of services, technology, materials and etc.

### 2.34. Policy for construction of national modern agricultural demonstration areas

(1) Starting year
The policy for construction of national modern agricultural demonstration areas started in 2010.

(2) Purpose of subsidy
To lead and drive the modern agricultural development nationwide.

(3) Changes over years
In 2014, an amount of 400 million Yuan was budgeted at central finance for infrastructural development; the loan amount of no less than 30 billion Yuan was arranged by National Development Bank and China Agricultural Development Bank to support the construction of demonstration areas.

From 2015-2016, an amount of 600 million Yuan was budgeted by central finance for infrastructural development. No less than 1500 Yuan per mu for construction of farmland resistant to drought and waterlog in demonstration areas was determined, of which the national set-quota subsidy is 1200 Yuan; the loan amount of no less than 3 billion Yuan was arranged by National Development Bank, China Agricultural Development Bank, China Postal Savings Bank and other financial institutions to support the construction of demonstration areas.

(4) The amount of subsidy
The form of substituting subsidies with rewards shall be adopted and each pilot demonstration area for agricultural reform and construction shall be subsidized at a standard of 10 million Yuan as reward.

(5) Subsidy mode
A percentage of 30% of grant subsidy shall be prepaid by central finance and the relevant financial institutions to the ratified pilots prior to construction. And the remnant 70% shall be paid till the demonstration areas successfully meet the examination and approval requirements.

### 2.35. National Comprehensive Agricultural Development Program

(1) Starting year
In 1988, the land management program was implemented in 13 major grain production areas. Activities included construction of high-standard farmland, ecological comprehensive management and water saving improvement in medium sized irrigation areas.

In 1994, agricultural industrialization development program was implemented following the land management program. Activities included development of economic forestry and agriculture facility farm, construction of livestock farm, construction of processing circulation facilities for agricultural products and establishment of agricultural social service system.

(2) Purpose of subsidy

To strengthen agricultural infrastructure and its ecological development, transform agricultural development means, push forward integrated development among the primary industry, secondary industry and tertiary industry in rural areas, improve comprehensive agricultural production capacity; safeguard national grain safety, increase farmers’ income so as to promote agricultural sustainable development and agricultural modernization process.

(3) Changes over years

Investment for comprehensive agricultural development comes from central finance, local finance as matching funds, loans from banks and self-raising fund, among which the central fund is increasing steadily over years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Central fund ( 100 million Yuan )</th>
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<th>Central fund ( 100 million Yuan )</th>
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<td>29.31</td>
<td>2007</td>
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</tbody>
</table>
(4) The amount of subsidy

The amount of subsidy shall be determined according to the key tasks of the annual comprehensive agricultural development plan and the factors method shall be adopted. The factors affecting the subsidy amount include fundamental resource, work performance and others, among which fundamental resources weight more than the others. The fundamental resource factor refers to area of arable land, planning and construction of high standard farmland, production of major grain crops, cotton, sugar crops and other bulk agricultural products, water resources and other basic data; work performance factor encompasses fund management, project management, comprehensive management, supervision system and etc. Other factors mainly refer to strategic requirements of special agricultural development, policy innovation. The average financial subsidy standard for construction of high standard farmland is 1300 Yuan per mu.

(5) Subsidy mode

The inputs of farmers’ professional cooperatives, flagship enterprises and farmers, during the project implementation process, such as materials, equipment, construction expenditure, construction supervision, technical extension, business operation, land management, engineering maintenance shall be subsidized in varying forms, for instance, financial subsidy and discounted interest loan.

3. Effectiveness of Subsidy Policies and Related Problems

The implementation of a series of Chinese agricultural subsidy policies has promoted the development of Three Rural Issues and brought about steady and significant growth of grain production and farmers’ incomes. From 2004 to 2015, China’s total grain output had achieved increasing growth rates for 12 consecutive-year, from 470 million tons in 2004 to 621 million tons in 2015. The rural per-capita income had also experienced increased growth rates for 12 consecutive-years, from 2936 Yuan/year in 2004 to 10772 Yuan/year in 2015. It had outnumbered GDP and urban per capita income in terms of growth rate for 6 consecutive years. The implementation of these subsidy policies has, to some extent, mitigated the effect of the price fluctuation of agricultural products, and agricultural production materials (fertilizer, pesticide and diesel) on the incomes of grain growers. It stimulated initiatives of grain growers, facilitated the extension of new agricultural technologies pertinent to planting, animal husbandry and agricultural machinery and increased the labor productivity. It has also to some extent, improved conditions of farmland, irrigation, and soil, strengthened capacity to prevent and mitigate agricultural disasters, upgraded fertilizer utilization
rates through soil tests and targeted fertilization and improved rural ecosystems as well as the production and living environment; improved the life quality of the farmers, cultivated rural economic organizations, such as farmers professional cooperatives and family farms, provided safeguard to food security, food safety and effective supply of important agricultural products.

If those subsidy policies are aggregated (in those cases where yearly governmental expense data was available), one can clearly see the increasing trend that has taken place in China since 2002 until 2016. Not only did the overall funds for agriculture increase, but also new policies were gradually implemented.

Given the current situation of the agricultural subsidy scheme in China, there is room for improvement especially in the execution process of the subsidy policies.

3.1. The effectiveness of the agricultural subsidy policies is diminishing.

The rising agricultural production cost due to the rapid rise of the agricultural production material prices in recent years in China has offset the performance of the agricultural subsidy policies. The policy effect on agricultural development and promotion of farmers’ incomes, on the farmers’ initiatives in farming is increasingly dropping, reducing the competitiveness of Chinese farmers globally. The prices of Chinese agricultural products such as grain, cotton, oil and sugar is much higher than from foreign imports, which are imposed with custom tax and subject to an importation quota system as the Chinese grain reserve is squeezed by “cost floor” and “price ceiling”.

3.2. The efficiency of the agricultural subsidy is relatively low.

Wide ranges of agricultural subsidies cut across many administrative departments such as finance, land resources, agriculture and banks. The irrational breakdown of responsibilities among concerned departments and the dispersed agricultural subsidy resources has led to poor coordination among
different administrative departments during the execution of the policies. On top of that, the selfish departmentalism, regional protectionism and rent-seeking activities have dragged down the efficiency of the agricultural subsidies. Some newly launched subsidy policies simply highlight short-term support to a particular sector and lack of matching measures. Thus these policies with distorted objectives can hardly achieve the expected outcomes in the long run. Moreover, an effective carrier as a broker organization is missing between the government and the vast number of farmers in China, which has resulted in expensive operation costs of many subsidy policies and inefficient operation of the subsidy funds.

3.3. The structure of the agricultural subsidy is unbalanced.

Many subsidies in China are used in circulation processes to cover the purchase and sale gap, to stabilize the prices of agricultural related production materials and to discount interest of loans. In comparison, few subsidies are used in areas which are crucial to transform traditional agriculture and to produce more incremental benefits and for farmers to harvest more benefits, such as decoupled direct subsidy to farmers, agricultural education, technical extension, farming infrastructural facilities, agricultural restructuring and organizational structure adjustment. For years the central and local department of finance neglected the internal balance of the grain products, particularly the balance between forage and grain production. Excessive subsidy allocated to stimulate food grain output has resulted in excessive production and reserves of maize. The annual amount of subsidies in circulation processes of grain and oil nearly takes up 50% of total fiscal subsidies, most of which are used to subsidize the urban consumptions, but farmers can only indirectly obtain benefits derived from these subsidies. Such indirect subsidy mode can easily bring about losses to the subsidy fund. On the other hand, such indirect subsidies can hardly be accepted by most farm operators and have limited impact to stimulate production. The effectiveness and outcome of the subsidies has been dragged down consequently.

3.4. More efforts to strengthen the agricultural subsidy are required.

There is lack of a participatory mechanism in Chinese agricultural subsidy system to encourage and guide the participation of social groups, organizations and enterprises and the state fiscal resources nearly assume all the subsidies. Hence the volume of subsidy is quite limited. According to the Sector Policy and Law Department of MOA, China’s spending on subsidies of WTO “green box” occupies a very low share of the gross production value of agricultural production. Also, the spending on agricultural subsidies of WTO “amber box” only takes 1.23% of the gross production value of the agricultural production. It’s well below 8.50%, the WTO-permitted domestic allowance standard for China. From a worldwide point of view, the current agricultural subsidy amount takes up a relatively low share against its gross national product in comparison with developed countries and developing countries such as India and Brazil.

3.5. Agricultural subsidy fund faces insufficient supervision.

There are shortcomings in the supervision of in-place status of the subsidy fund in China, lack of follow-up management from proposals and budgeting, appraising and approval to performance evaluation. And losses of the agricultural subsidy is inevitable, about 30% of the subsidy fund either had not been in place on time or not put in place, or been embezzled temporally or over a long period. The losses of the subsidy fund have shown to be quite severe.

3.6. The understanding to agricultural subsidy is inadequate.
On the one hand, the current agricultural subsidy policies have encouraged farmers to improve agricultural production and safeguarded the sufficient supply of agricultural products. On the other hand, these policies put limited consideration and risk awareness on potential systematic risks in making agriculture weaker instead of stronger. Along with China’s economic restructuring, the efforts in subsidy policy enforcement has remained stable, whereas the fiscal revenues are going down. However, an agricultural subsidy is still viewed as a measure to increase farmers’ incomes directly and agricultural subsidy had been used as direct income subsidy in some areas. Some farmers can only sustain their farming production after receiving the direct grain subsidy and superior crop varieties subsidy through “One Card System”. But the function of the two subsidies is not well understood and their purposes to boosting production initiatives are failing. Moreover, some subsidies are solely politically driven with the aim to safeguard a stable rural society. The real role of the fiscal subsidy is often neglected.

4. The new trend of agricultural subsidy in 13th Five Year Plan period

China’s 13th Five Year Plan period is the crucial stage for agricultural supply-side structure reform and is an important strategic opportunity for the agricultural modernization to improve the weakness and gain great momentum. In pursuit of transformation of agricultural development mode and optimization of agricultural development structure, China would strengthen agricultural policies in four aspects such as finance, banking, agricultural land and agricultural market and make more efforts in policy development to benefit farmers and make farmers stronger and richer, under the development law of agricultural modernization.

4.1. Fiscal policies to support agriculture, rural areas and farmers would be further perfected

(1) A constant growth mechanism for fiscal input would be established and improved

The Three Rural Issues would remain as key areas for Chinese fiscal input and fixed asset investment in the new era. Hence, China would establish and improve the guarantee mechanism for agricultural investment corresponding to authority powers and expenditure responsibilities to ensure a steady growth of state fixed asset investment into agricultural and rural development, following the clear definition of boundaries between government and market scopes.

(2) Agricultural infrastructure investment would be further integrated and optimized

The agricultural infrastructure fund is still a short slab for China. However, the sources of agricultural investment in China have been gradually altered from fiscal resources only to diversified sources including both government and the community. China would coordinate and integrate fixed asset investments, which are sharing similar construction feature, similar scope of construction and similar targeted users. Divert these resources to a set of key projects of great importance in the future, encourage the use of approaches such as input subsidy to implement construction project. Social parties are encouraged to initiate agricultural industry investment fund and agricultural land reclamation equity investment fund.

(3) Agricultural subsidy policies would be further adjusted and optimized.

Regarding the issues such as insufficient usage of “green box” subsidy policies and irrational usage of “amber box” policies under the WTO framework since China entering into the WTO system, China would gradually expand the “green box” subsidy dimensions, revisit and improve the “amber box” policies:
Firstly, merge direct subsidy to grain growers, superior crop variety subsidy and comprehensive subsidy for agricultural materials into a protection subsidy to support agriculture;

Secondly, more efforts would be made to increase agricultural machinery subsidy required by promoting environmental friendly and yield improving technologies such as conservation agriculture, deep plough and straw returning to field. The subsidy policies for purchasing agricultural machinery would be refined;

Thirdly, converting grain into fodder, crop rotation between grain and soybean would be supported. More efforts would be made to support the standardized farming considering animal welfare and aquatic products. The subsidy for fuel prices in the fishery sector would be put in place. Subsidy policies for agricultural restructuring would be further improved;

Fourthly, the subsidy standard to reward grassland conservation would be upgraded. The piloting of farming technologies such as reduced use of chemical fertilizer and pesticides, increased use of organic fertilizer and reuse of stalks would be implemented. The establishment of sound ecological development driven agricultural subsidy mechanism would be explored and subsidy policies for ecological development would be established and improved;

Fifth, more efforts would be made to reward the counties and provinces with significant importance in grain and oil production and state owned farms would be gradually incorporated into national policy scope for supporting agriculture and improving livelihood. And the compensation mechanism for main production areas would be improved.

4.2. The new financial policies to support agriculture, rural area and farmers would be explored

(1) Credit support policies would be further improved

China would improve its credit support policies in varying aspects such as rural financial institutional arrangement, mortgage loan against farmers’ property and credit products.

Firstly, in order to steadily promote the credit cooperation within the farmers’ professional cooperatives, the development finance and policy finance to support agricultural development and rural infrastructure development would be strengthened. And the appraisal and incentive mechanism for commercial banks to develop agriculture related financial business would be established and improved;

Secondly, differential monetary credit policies would be implemented against the performance of their fulfillment of responsibilities to support agriculture;

Thirdly, the supervision, appraisal and risk control mechanism for agricultural credit guarantee institutions would be initiated. A nation-wide agricultural credit guarantee system would be established and improved;

Fourthly, the piloting of mortgage loan against operation right under the rural land contractual system and the farmers’ houses and their property right would be push forward steadily. The loans used to sustain crop yield and improve incomes, and used in areas such as high standard farm land, advanced equipment, agricultural infrastructure and product processing and circulation, would be supported with fiscal interest discount;

Fifthly, credit scoring system for the new agri-business entities would be established and the entities with high scores would have priority to obtain loans;

Sixthly, loan for the scaled operated entities in grain production would be piloted and the mortgage loan against agricultural insurance papers would be implemented.
4.3. Agricultural land related policies would be further improved

Following the division of “Three Rights” (ownership right, contractual right, management right) under the rural land contract system and reform of rural collectively managed land, the agricultural land use policies would be adjusted and improved accordingly in the new era. The land used by new agri-business entities for production facilities and auxiliary facilities in business activities such as animal raising, crop cultivation, aquatic production and scale grain production could be handled as the land used for facility agriculture. A certain ratio of the land would be arranged by provincial governments in their annual land resources allocation plan for construction purpose and specially used by new agri-business entities to construct auxiliary facilities. Using part of the incremental crop field by new agri-business entities, as a result of land reclamation, to build auxiliary facilities for scale operation under relevant regulations are supported.

4.4. Market regulation policy for agricultural products would be established and further improved

In the new era, on the basis of ensuring food security, China will further adjust and optimize the structure of grain production with the aim to secure the effective supply of important agricultural products. The priorities would be assigned to solve the issues affecting income improvement of farmers and the international competitiveness of China’s agricultural products such as grain, cotton, oil and sugar.

Firstly, bottom-line price policy for rice and wheat would remain and be refined;

Secondly, maize reserve mechanism would be actively and steadily reformed with the thorough consideration of factors, such as farmers’ rational interest, bearing capacity of the finance and
coordinated development capacity between upstream and downstream sectors. Maize grower subsidy mechanism would be established;

Thirdly, target price policy for cotton and soybean would be refined and improved;

Fourthly, target price insurance pilots for pigs would be continuously pushed forward;

Fifthly, the regulation catalogue mechanism for fresh agricultural products would be explored and established to rationally define targeted species and regulatory tools;

Sixthly, reserve management mechanism for important agricultural products would be reformed and perfected with the aim to separate policy functions and business functions, scientifically define reserve scale and to improve regulatory capacity;

Seventhly, marketing entities would be diversified;

Eighthly, trading of agricultural futures would be steadily pushed forward and the agricultural futures products would be created.