An Investigation of Grain Production and Marketing in Jilin and Heilongjiang Provinces*

Wang Zhonghai
Policy and Law Department of the Ministry of Agriculture of China

This paper investigated the current grain marketing system and the implementation of the new grain marketing policy in Jilin and Heilongjiang Provinces. The study revealed serious problems of excessive grain storage by the state-owned grain enterprises in the two provinces. The paper argues that the current situation of mainly relying on state-owned grain enterprises in grain marketing must be changed. Grain marketing channels should be expanded to allow various types of enterprises to participate in grain marketing in order to increase competition in grain marketing, and to improve the grain marketing system. (The original version of the paper is in Chinese. This is a reduced English version.)

In April 2000, I went to Jilin and Heilongjiang provinces to conduct a special investigation on grain production and marketing. This paper reports the main findings of the investigation and some of my own points of view on the issues in grain production and marketing in the two provinces.

* Translated by Chen Chunlai.
Basic situation of grain production

(1) Structural adjustment of grain production

The goals of structural adjustment of grain production in Jilin is mainly to reduce corn production and to increase the production of soybean, cash crops, and vegetables and fruits. According to the plan, the sown area of grain crops will decline from 53.22 million mu in 1999 to 51 million mu in 2000, a reduction of 2.22 million mu. Among the grain crops, corn sown area will reduce by 6 million mu, or 17 percent compared with last year, while soybean sown area will increase by 3 million mu, and wheat sown area, mainly high quality spring wheat, will increase by 0.6 million mu. The sown areas of cash crops, vegetables and fruits will increase by 1 million mu and 1.2 million mu respectively.

Heilongjiang province plans to increase the production of paddy and soybean and to reduce the production of corn and wheat. The total sown area of grain crops is 138 million mu, of which paddy is 26.3 million mu, increasing by 2 million mu; soybean is 35.8 million mu, increasing by 3.5 million mu; corn is 31 million mu, reducing by 7.9 million mu; and wheat is 10.3 million mu, reducing by 4 million mu.

(2) Contracted agricultural products

In recent years, a system called contracted production of agricultural products has developed very fast in some provinces. In this system, farmers sign contract with grain users who are mainly the state-owned grain enterprises to grow specified grain products according to the contract, and the grain users must meet their commitment to
buy the grain products produced by farmers. In Jilin province, currently the sown area of contracted agricultural products has reached 9.39 million mu, accounting for 15.4 percent of the total sown area of agricultural products. Among the sown area of contracted agricultural products, corn is 1.22 million mu, soybean is 4.11 million mu, wheat is 0.41 million mu, paddy is 0.87 million mu, edible vegetable oil seeds are 1.27 million mu, and other coarse grains are 1.5 million mu.

Heilongjiang province has signed 508 contracts for various agricultural products and has established 41 million mu of sown area for the contracted agricultural products. Among the sown area of contracted agricultural products, grains including paddy, wheat, soybean and corn are 26 million mu, coarse grains are 8 million mu, cash crops are 4 million mu, and vegetables and fruits are 3 million mu.

2 Basic situation of grain marketing

(1) Grain purchased by state-owned grain enterprises

In 1999 Jilin province produced 23 million tonnes of grain, of which 4 million tonnes were retained by farmers for their own consumption. Commercial grain sales were 19 million tonnes. In 2000, by the end of March the province has purchased 18.4 million tonnes of grain, the highest level in the history in the same period. Of the purchased grain, state grain enterprises purchased 16.5 million tonnes, increasing by 3.2 million tonnes compared with the same period last year, grain processing enterprises purchased 0.75 million tonnes, and other grain marketing enterprises purchased 1.1 million tonnes of corn and coarse grains.
In 1999 grain output in Heilongjiang province was 38 million tonnes. Deducting 12 million tonnes for farmers own consumption, commercial grain was 26 million tonnes. State grain enterprises purchased 13.5 million tonnes. In 2000, by the end of March state grain enterprises have purchased 12.5 million tonnes and they plan to purchase an additional 1 million tonne of grain.

(2) Grain sold by state-owned grain enterprises

In 1999, Jilin province state grain enterprises sold 12.5 million tonnes of grain, exceeding the total quantity of grain sold in the last three years. From January to March of this year, the state grain enterprises have sold 1.5 million tonnes of grain.

In 1999, Heilongjiang province state grain enterprises sold 4.3 million tonnes of grain and exported 0.4 million tonnes of corn.

(3) Grain stored by state-owned grain enterprises

By the end of March this year, Jilin province state-owned grain enterprises have stored 36 million tonnes of grain, increasing by 8.5 million tonnes than last year, and exceeding the normal grain storage capacity by 17 million tonnes. Heilongjiang state-owned grain enterprises currently have normal grain storage capacity of 26.5 million tonnes. By the end of March this year, the grain storage has reached 42.5 million tonnes, exceeding the normal storage capacity by 16 million tonnes. Because of lacking grain storage capacity, the excess grains in the two provinces have to be stored at the open courtyard with simple protection.
(4) Financial situation of state-owned grain enterprises

In 1999, Jilin province state-owned grain enterprises had a 1.33 billion yuan deficit, while Heilongjiang province state-owned grain enterprises lost 1.58 billion yuan, the highest among China’s provinces.

3 Some points of view and suggestions

(1) The basic reason for the problems existing in China’s grain marketing system is that the state-owned grain enterprises are not suitable to the changing situation of grain supply and demand in China. The business behaviour of state-owned enterprises is still guided by the traditional methods of the planned economy. To suit to the changing situation of grain supply and demand, state-owned enterprises should also change their business behaviour from that of the planned economy to that of the market economy.

(2) In the view of this author, the policy of an unlimited purchase of farmers’ surplus grain at protection price should be implemented continuously. However, some changes are also needed to further improve the feasibility of the policy. For example, governments should provide more and reliable grain production and marketing information to farmers.

(3) The opening of grain purchasing markets remains the long term trend of grain marketing reform. This will require the government to put grain production and marketing into the overall adjustment and control based on the principles of the market.
(4) The key for state-owned enterprise reform is to separate government from enterprise management, to change the management mechanism, and to separate the policy enterprises (state grain storage enterprises) and the commercial enterprises (grain marketing enterprises).

(5) The current situation of mainly relying on state-owned grain enterprises in grain marketing must be changed. Grain marketing channels should be expanded to allow various ownership types of enterprises to participate in grain marketing. The participation of various types of enterprises can increase grain marketing competition and efficiency, and therefore, to improve grain marketing system.