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# Chinese Agriculture and Its Impact on Global Market

Presented to ASTA  
May 9, 2006

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# Overview

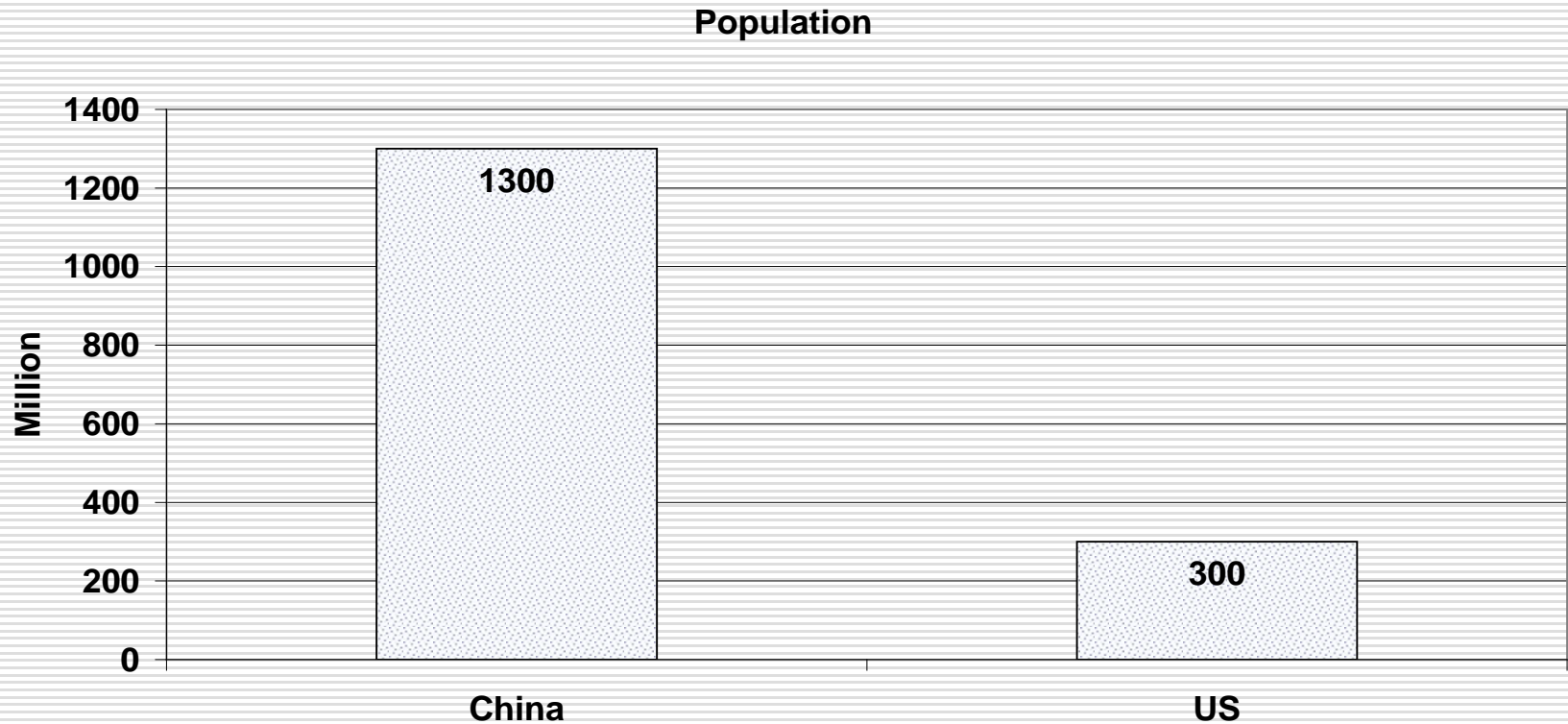
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- China's Economic Background
- A Brief History Lesson on Chinese Agriculture
- Current Chinese Agricultural Situation
- Chinese Data vs. the "truth"
- Where Is Chinese Agriculture Might Be Headed

# China's Population: 1.3 Billion

*20% of World's People*  
*4 times larger than the U.S.*

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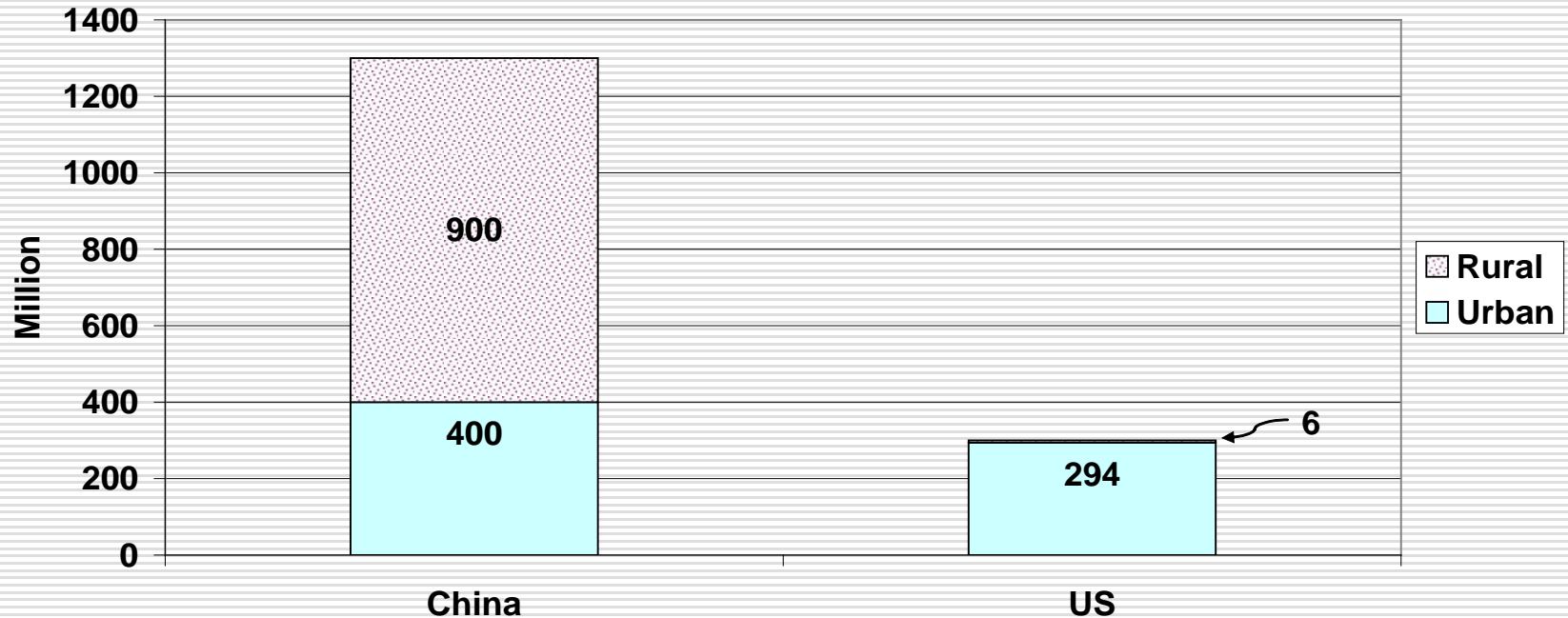


# Most of China's Population Is Rural

## *70% Rural in China vs. 2% in U.S.*

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Population: Urban vs. Rural

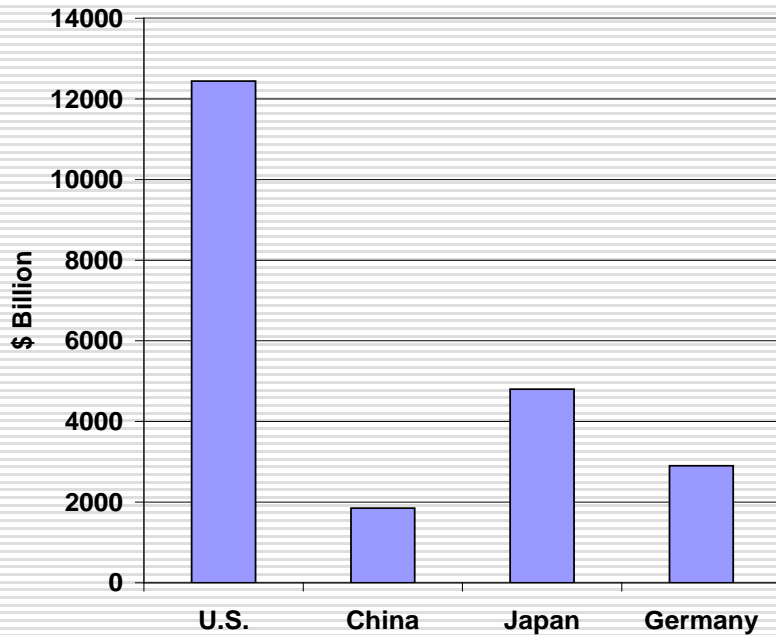


# China's Economy Is Growing Rapidly

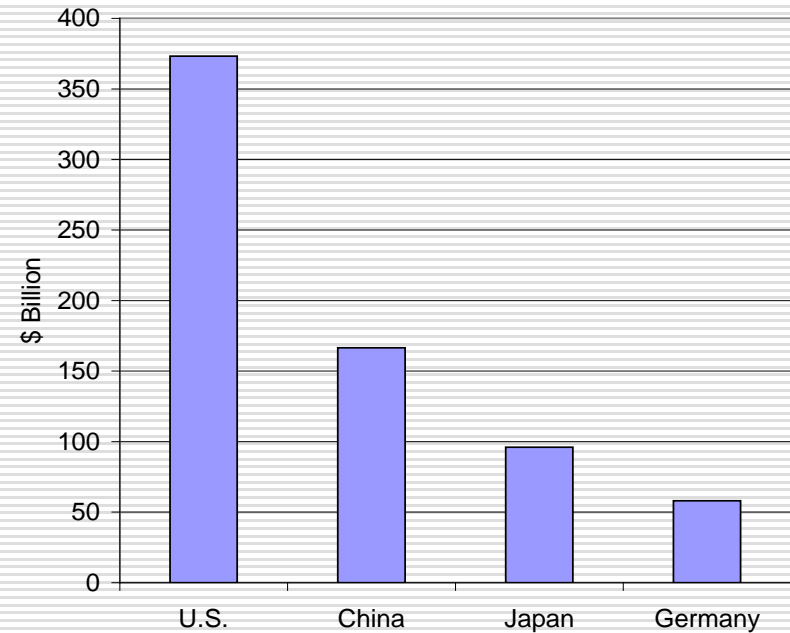
*Additional GDP Is Larger Than Germany / Japan*

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Annual GDP of 4 Major Countries

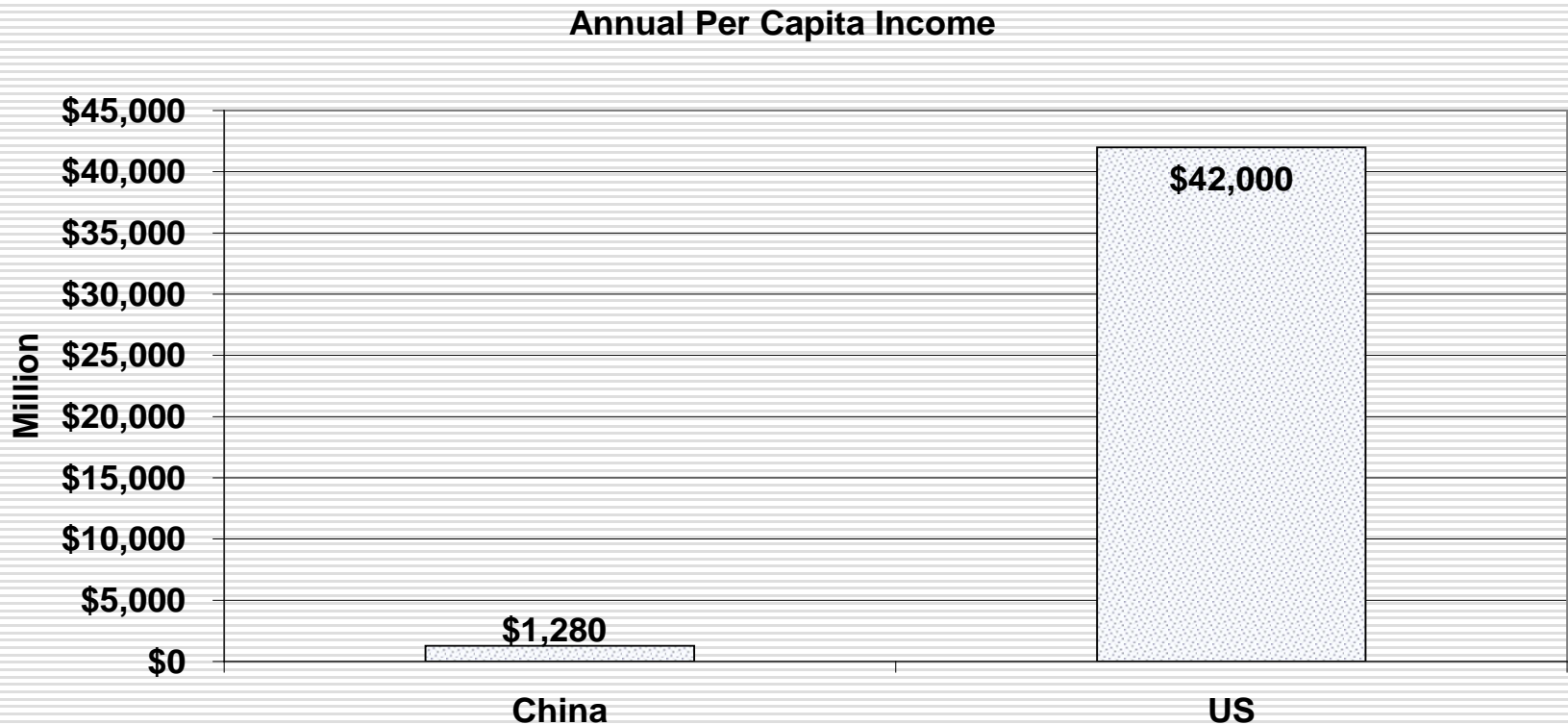


GDP GROWTH of 4 Major Countries



# China's Income Is Still Very Low But urban income is much larger than rural

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# China's Annual Trade Surplus: \$125B

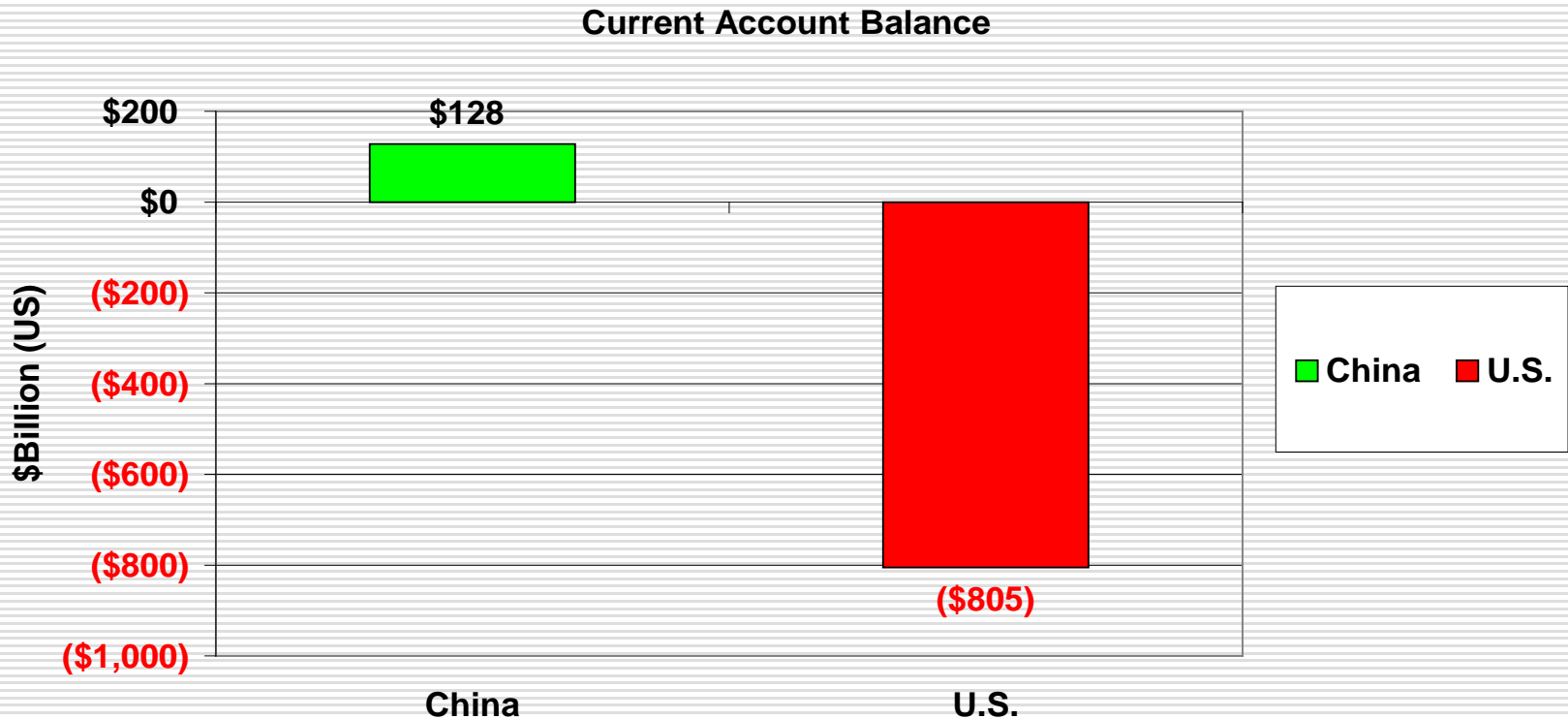
*Most of trade is outside of agriculture*

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# China's Trade Surplus is Very Important to Financing US Debt

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# Chinese Agricultural History

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- 1956-58: Mao's "Great Leap Forward" leads to 30 million deaths from starvation
- Mao's defense against the USSR: "Dig Deep Tunnels and Store Grain Everywhere"

"Take agriculture as the foundation and industry as the leading factor" and the strategic policies: "Be prepared against war, be prepared against natural disasters, and do everything for the people" and "dig tunnels deep, store grain everywhere, and never seek hegemony."

**Mao Zedong,  
March 1969**



# A Brief History of Chinese Agriculture

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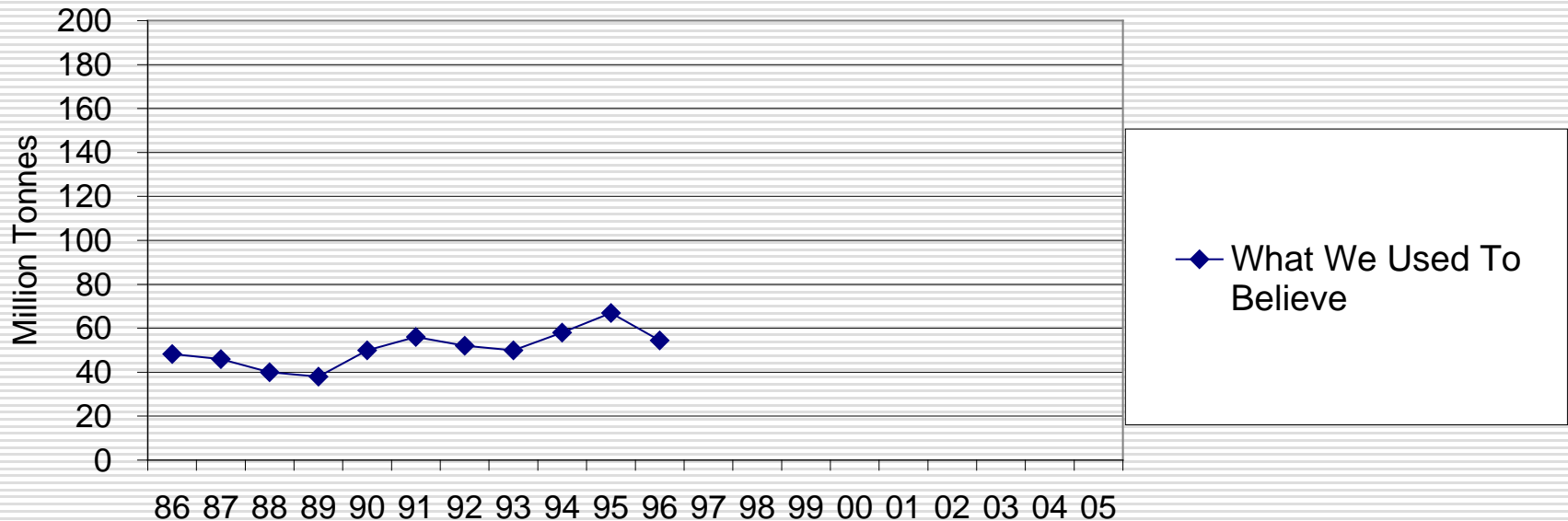
- 1956-58: Communes Created, & Mao's "Great Leap Forward" leads to 30 million deaths from starvation
- 1969: Mao's defense against the USSR - "Dig Deep Tunnels and Store Grain Everywhere"
- 1979: Deng Xiaoping dismantles the communes, and focuses on economic prosperity and stability
  - China's economy grew 9.7% per year (1979-97)
- 2000: China joins the World Trade Organization
  - Tariffs on agricultural imports cut substantially
- Post 2000: China focuses on "Comparative Advantage", leading to more imports & more xpts

# *“You can’t handle the truth”*

-- Jack Nicholson in “A Few Good Men”

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China Grain Stocks - Complete With Revisionist History

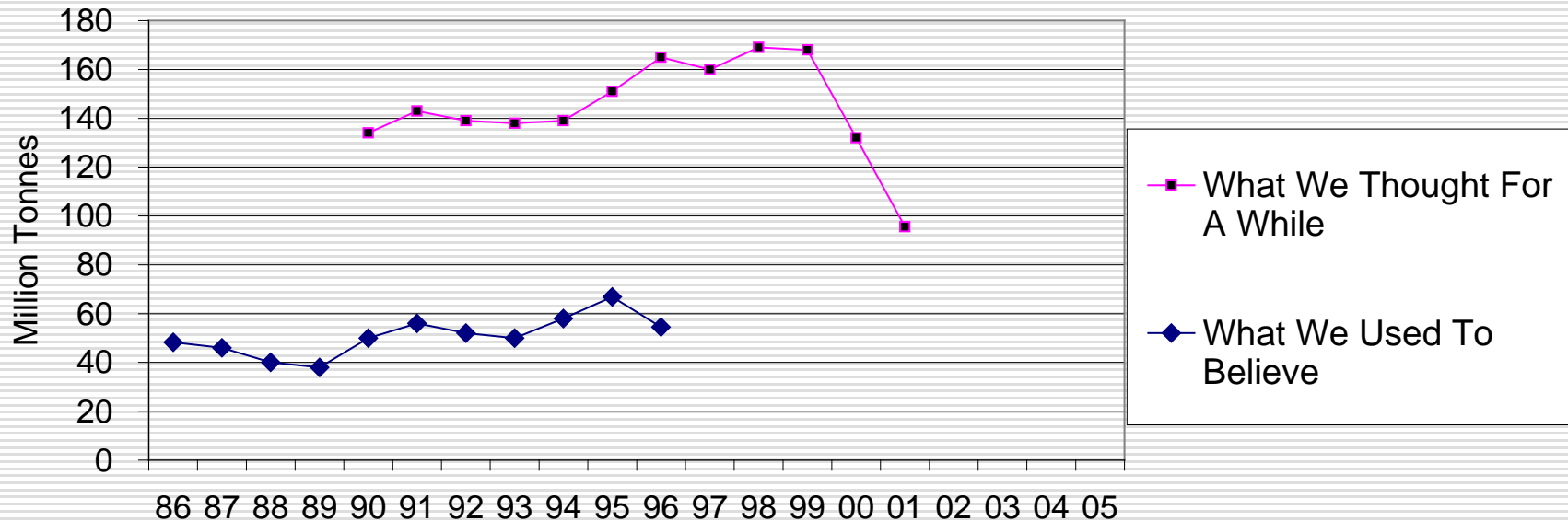


Source: USDA/FAS 12/97, 12/01, 12/05

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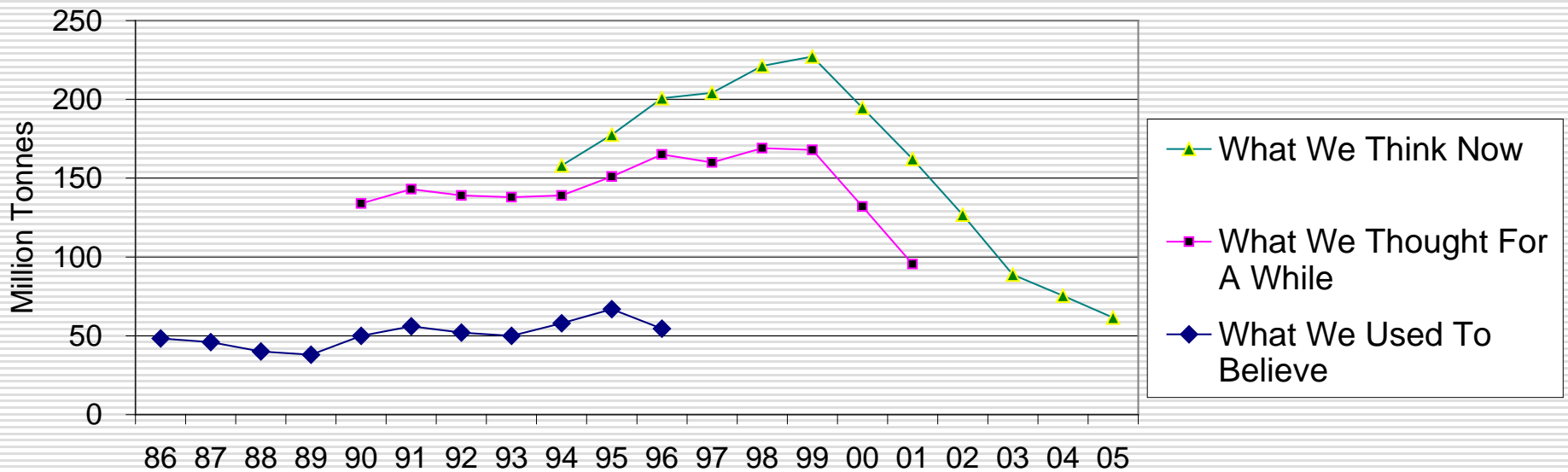


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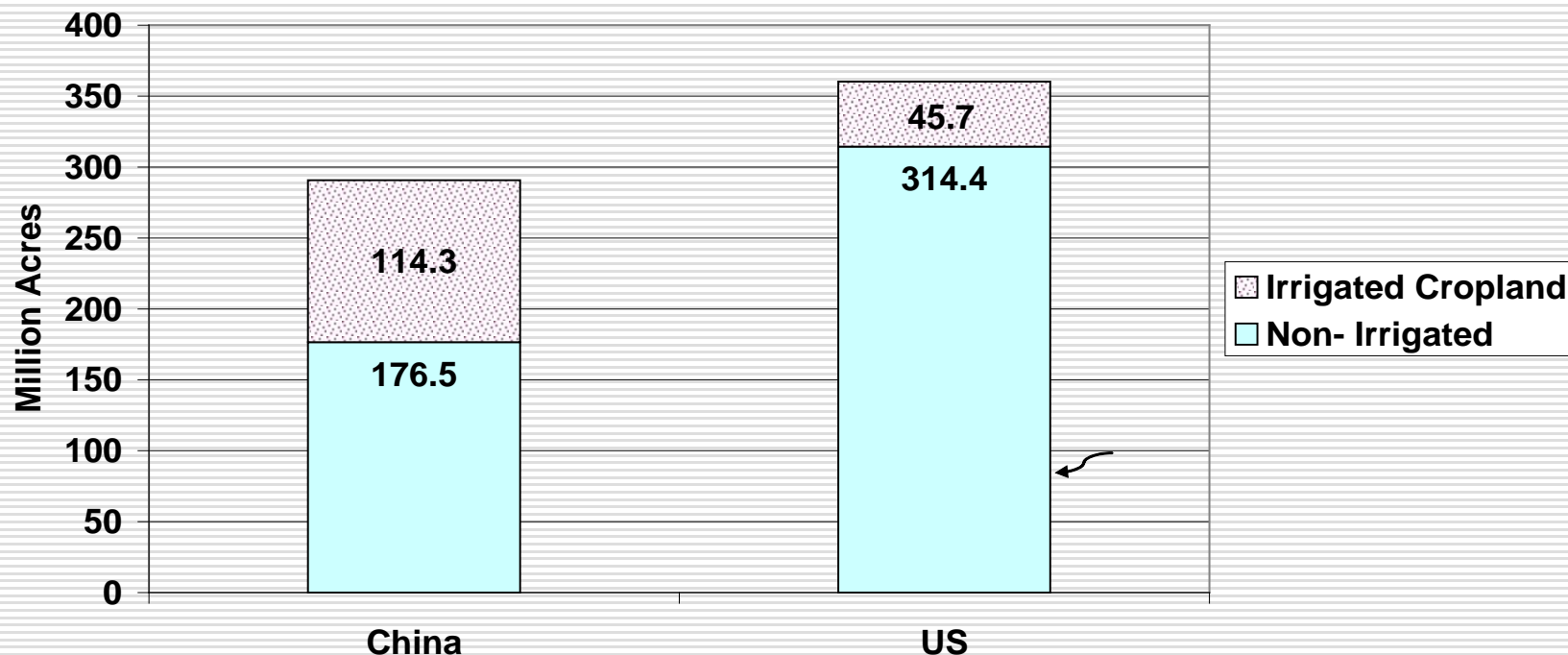


Source: USDA/FAS 12/97, 12/01, 12/05

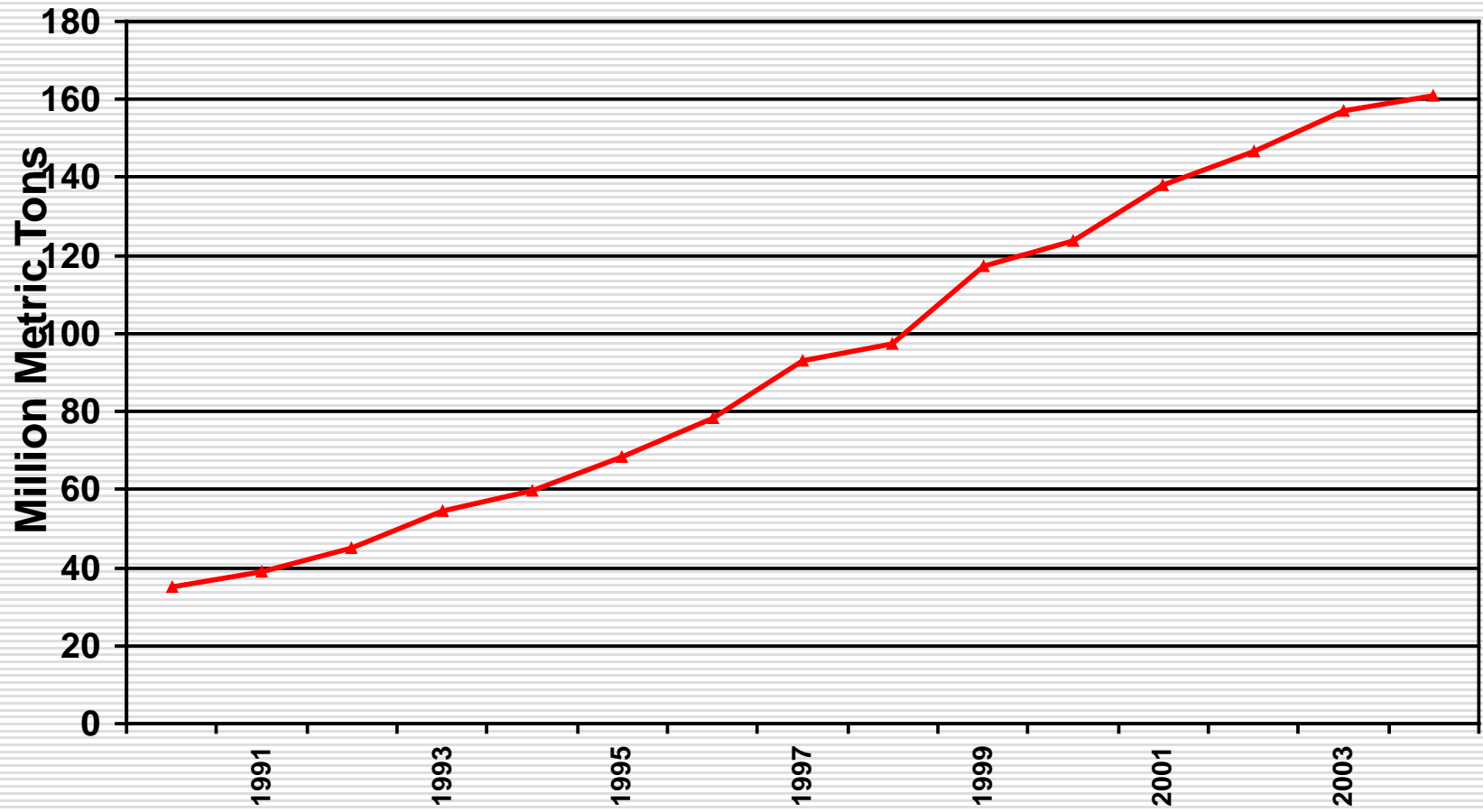
# Chinese Arable Land Similar To U.S. *But Much Larger Share Is Irrigated*

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Cropland: Irrigated vs. Dryland



# China's Total Fruit Production



Source: Food and Agriculture Organization (FAO) of the United Nations. Includes melons.

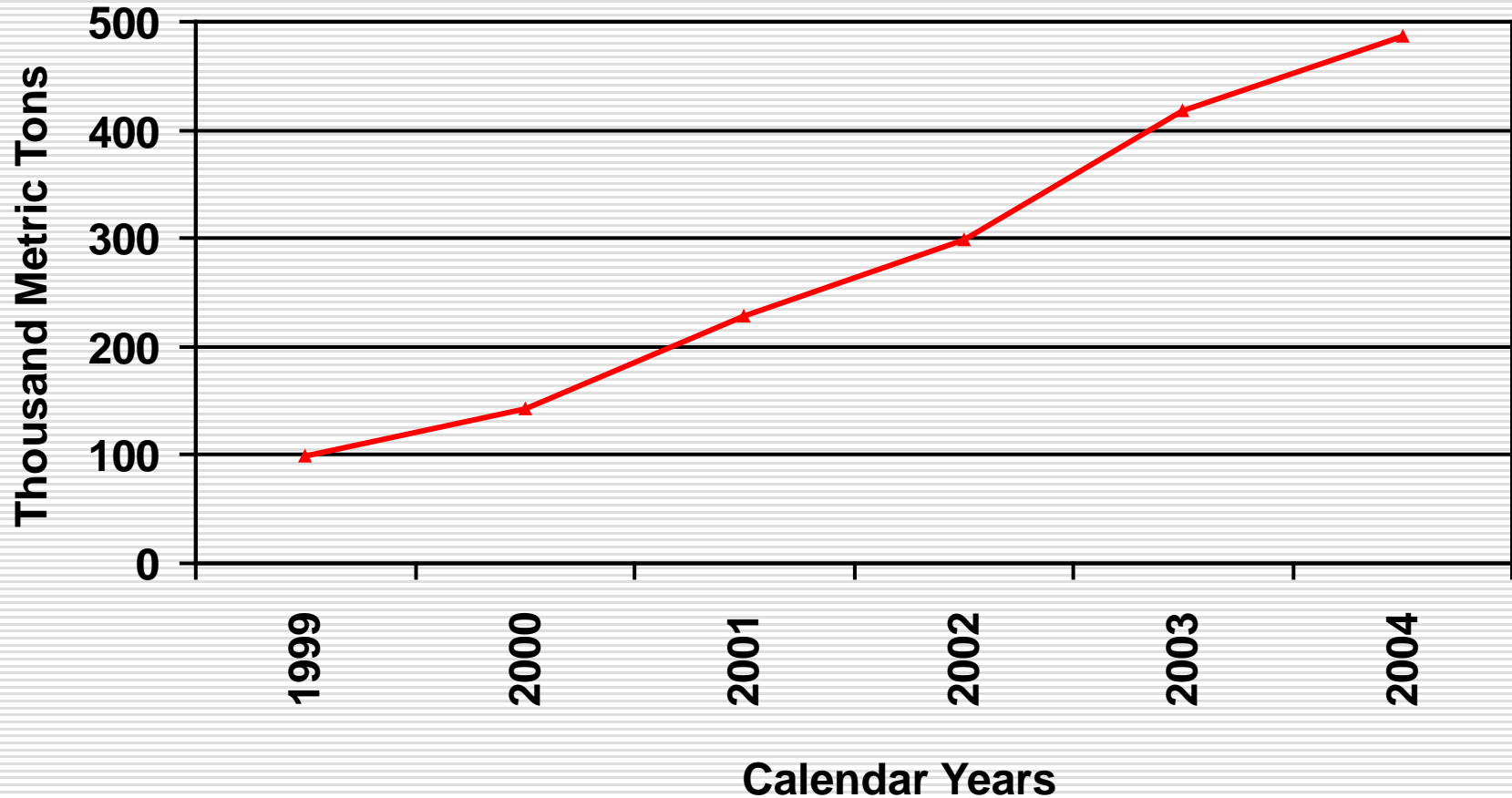
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# China's Exports of Apple Juice



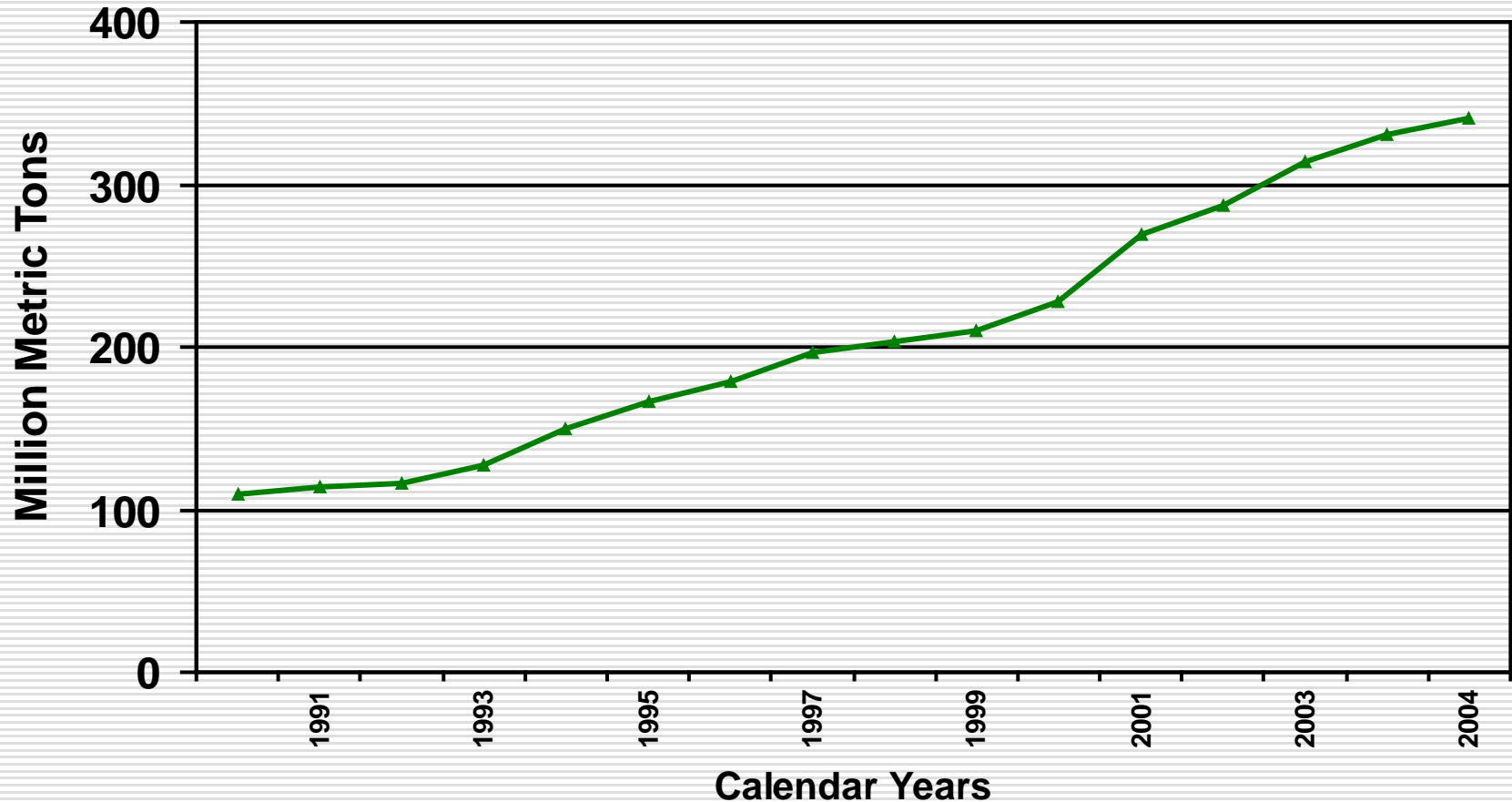
Source: Global Trade Atlas

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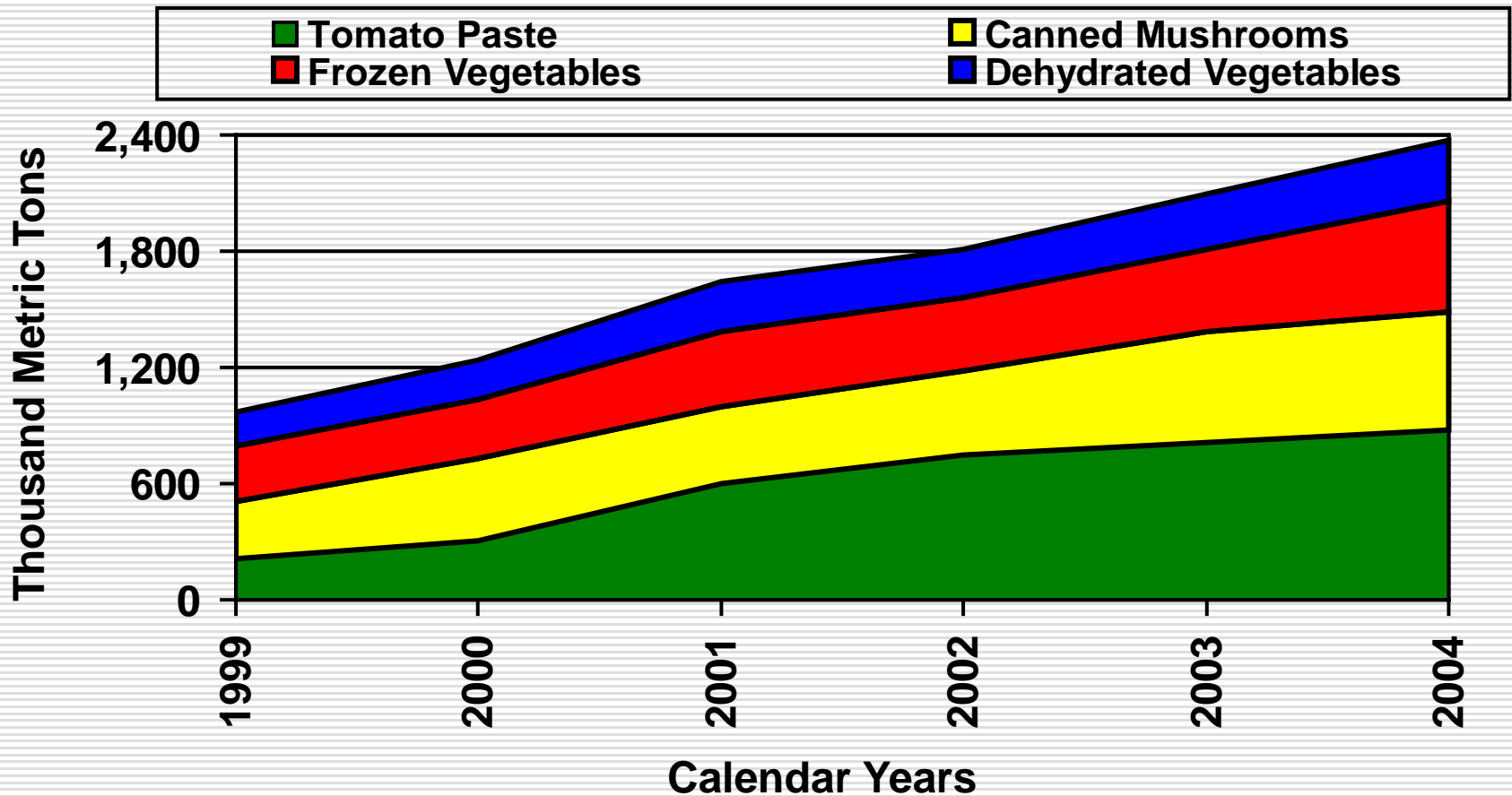
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# China's Vegetable Production



Source: Food and Agriculture Organization (FAO) of the United Nations. Excludes Potatoes.

# China's Exports of Processed Vegetables



Source: Global Trade Atlas

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# U.S. Horticultural Trade Balance with China and Hong Kong



Source: Bureau of the Census, DOC

Calendar Years

Note- U.S. fiscal year is October-September.

Horticultural Trade Includes: Vegetables, Fruits, Nuts, Essential Oils, Nursery Products, Cut Flowers, Wine and Beer.

# Key Indicators of Who & What China Hopes to Become

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- ❑ Beijing competed for and won the 2008 Olympic Games
- ❑ China applied for and was admitted to the World Trade Organization (WTO)
- ❑ China *begrudgingly* has raised the value of their currency (the Yuan) slightly in the past year
- ❑ China has raised interest rates twice since October 2004 (from 5.2% to 5.85%)

# Key Challenges China Will Face In The Next 5-10 Years

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- ❑ Water availability – especially in the north
  - ❑ Pollution pressures – both water and air
  - ❑ Resistance within China to government policies
  - ❑ Transitioning from rural-based to urban-based economy
  - ❑ Outside pressure on human rights issues
  - ❑ Transition to a more transparent economy
  - ❑ Global shift toward protectionism
  - ❑ Global challenge of energy availability
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# What China Appears To Be Evolving Toward

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- Earnest effort to become a part of the global economic community
  - Selectively responding to Western demands
- Continued focus on producing exportable products (both ag and non-ag)
- Continued growth in labor intensive crops
- Concern over water and energy availability
- Driven by “comparative advantage” – willingness to import!
  - Export products they can produce efficiently
  - Import products they cannot produce efficiently (soybeans, cotton)

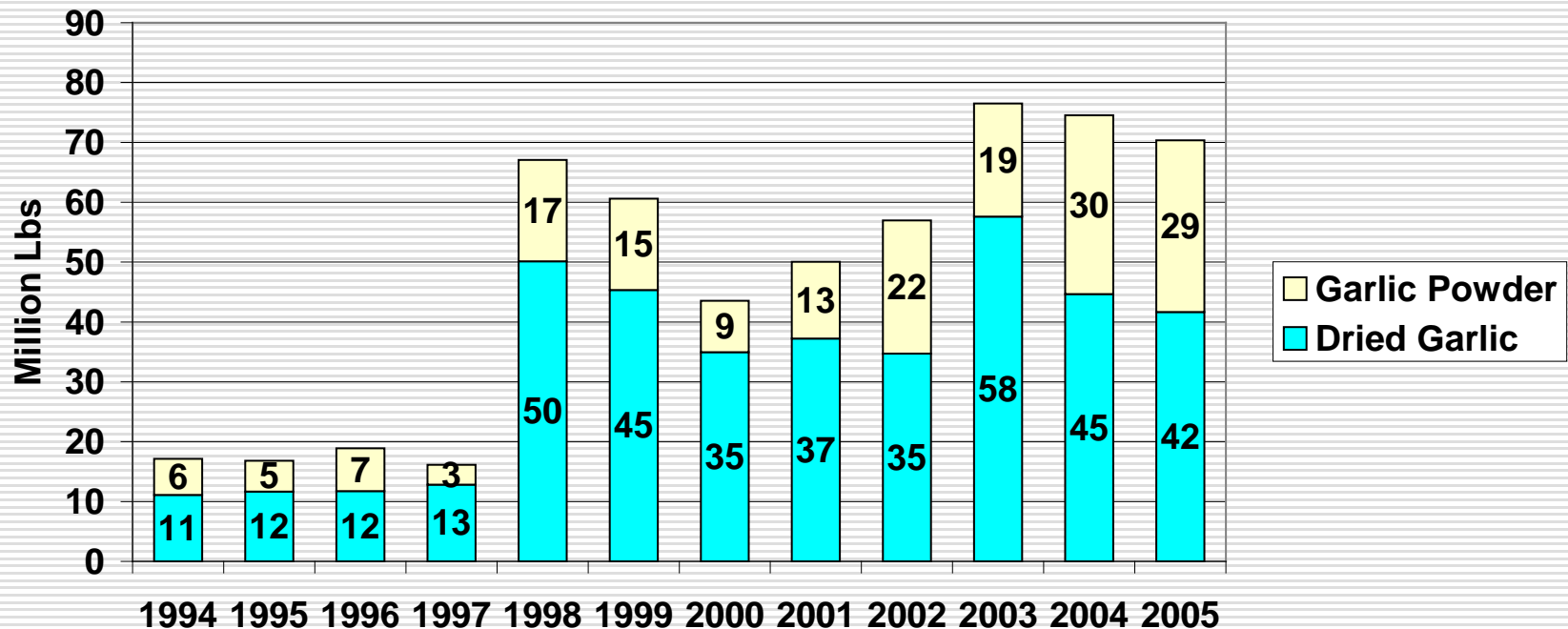
# Chinese Self-Sufficiency

|          |     |  |              |      |
|----------|-----|--|--------------|------|
| Cotton   | 60% |  | Apples       | 150% |
| Soybeans | 40% |  | Corn         | 105% |
| Wheat    | 99% |  | Rice         | 101% |
| Barley   | 65% |  | Tomato Paste | 425% |
|          |     |  |              |      |
|          |     |  |              |      |
|          |     |  |              |      |
|          |     |  |              |      |



# US Annual Imports of Chinese Garlic (Dried and Powder)

US Imports of Chinese Garlic Product



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