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China: 1978 Midyear Crop Outlook

An Intelligence Assessment

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China: 1978 Midyear Crop Outlook

*Central Intelligence Agency
National Foreign Assessment Center*

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Key Judgments

China's grain harvest in 1978 will increase substantially for the first time since 1975. The combined output of summer grain (up 7 million tons) and early rice (up 3 million tons) has put the Chinese well ahead of last year's early harvest. It is still too soon to predict the size of the fall harvest, but an increase of only 2 million tons would yield a 4.3-percent growth for the year as a whole—which is the average annual rate necessary to reach the 1985 target of 400 million tons.

China: Grain Harvest

	Million Metric tons		
	1976	1977	1978
Total	285	286	...
Early Harvest	100	96	106
Late Harvest	185	190	...

Despite the favorable outlook, Peking continues to order grain imports at record levels. The 8.7 million tons to be imported this year is to bolster consumption (especially in large northern urban centers), to rebuild stocks (which were probably drawn down considerably in the last two years), and possibly to reduce the burden of state procurement on rural areas near large cities.

Summer Grain. Winter wheat and barley account for 5 million tons of the increase in this year's summer grain crop. Miscellaneous winter grains, lentils, pulses, and potatoes may have added an additional 2 million tons.

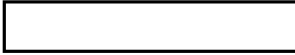
Early Rice. Output increased about 3 million tons over the 1977 level, despite drought and high temperatures. Better water management and increased use of new seed varieties probably accounted for most of the increase.

Fall Harvest. The outlook for the fall harvest, which ordinarily accounts for two-thirds of grain production, is mixed. Thus far, conditions for coarse grains are better than last year, but yields of late rice may be down.

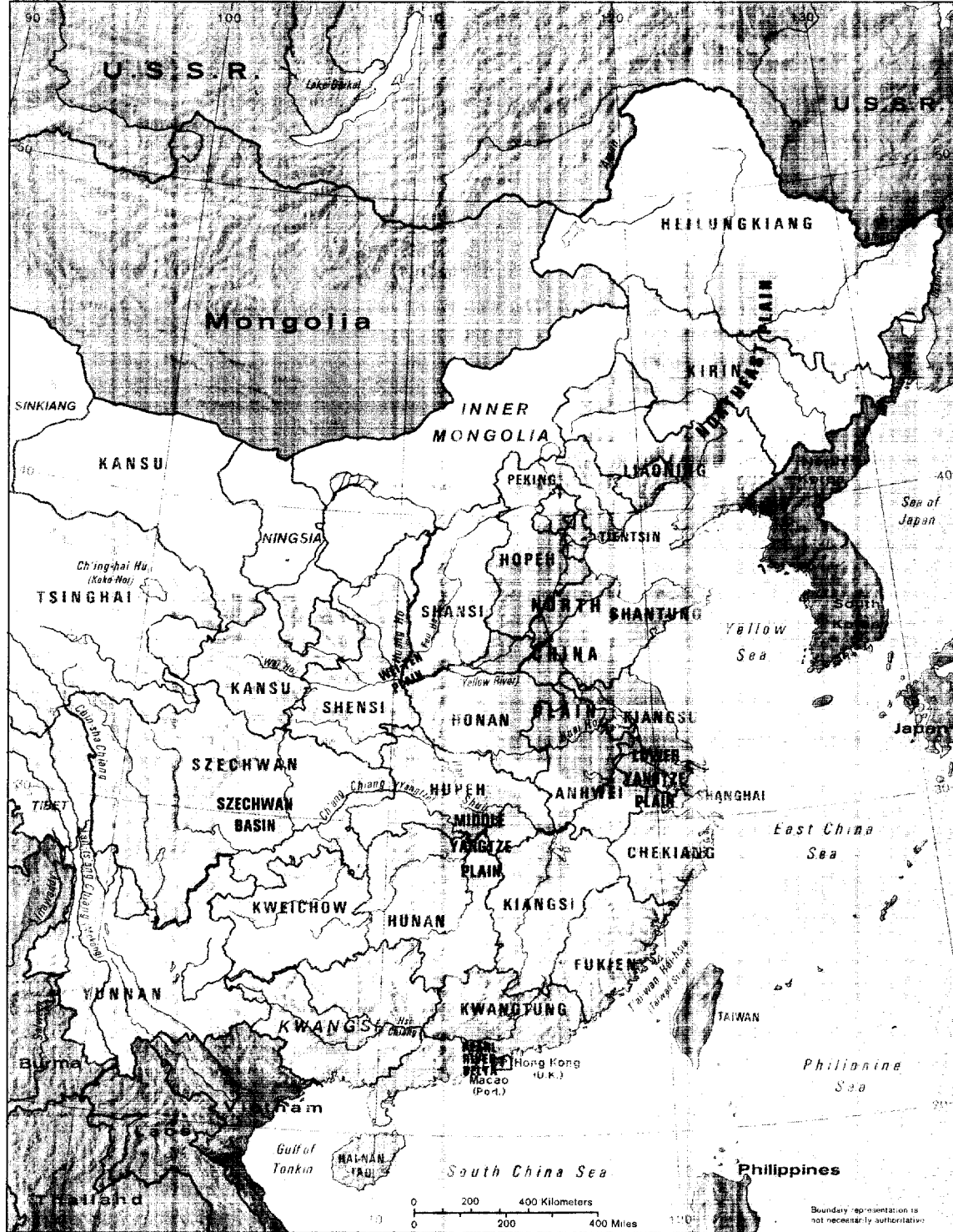
Trade Prospects. Agricultural imports will exceed those of 1977, with most of the increase due to a 26-percent increase in grain imports. Cotton imports are already triple the 1977 level and will exceed 500,000 tons. Sugar imports may be as high as last year's 1.6 million tons, and soybean oil imports will continue in the range of 150,000 to 200,000 tons.

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China: Selected Agricultural Areas



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China: 1978 Midyear Crop Outlook

Introduction

This study reviews agricultural output for the first half of 1978, discusses China's grain import position, and evaluates prospects for the important 1978 fall harvest. An assessment of China's current agricultural performance is complicated by the lack of official Chinese statistics. Official press statements on crop output are incomplete and not necessarily consistent with previously released information. Nevertheless, we believe they are generally accurate, and by tempering them with judgments based on weather data and intelligence reports, we can present a broadly accurate estimate of Chinese agricultural output.

General Crop Outlook for 1978

China's grain harvest this year will show the first major increase since 1975, and the increase in grain output may be double the rate of population increase for the year. Because of the increase in summer grain and early rice output this year, China is presently 10 million metric tons ahead of last year. It is still too early to predict the size of the fall harvest, but an increase of only 2 million tons would yield a 4.3-percent growth for the year as a whole—which is the average annual rate necessary to reach the 1985 target of 400 million tons.

Despite the substantial increase, scattered press reports and public statements indicate that Chinese planners may be disappointed, possibly because per capita grain consumption will not exceed the 1974-75 level despite record imports and the increase in output. Moreover, some of the increased grain output and record purchases may serve to rebuild reserves or reduce state procurement burdens on rural areas adjacent to large cities.

Summer-Harvested Grains

The summer grain harvest—which accounts for one-half of the early harvest—showed marked improvement over the drought-ravaged crop of 1977, but was essentially a recovery to 1976 levels. Good moisture conditions in the fall of 1977 benefited this year's winter wheat and barley crops. Reports in late July claimed a 10-percent increase over 1977—amounting to 5 million tons—all of which was wheat and barley. A later report on 18 September stated that “this summer's wheat harvest and early rice output were 10 million tons more than last year, in spite of severe spring drought.” Since the increase in the early rice harvest was originally characterized as “not very large,” we believe that an additional 2 million tons of summer grain were contributed by potatoes and grains other than wheat and barley.

New China News Agency reported on 2 August that output was up in 20 of the 24 summer grain-producing provinces and down only in Shansi and Shensi—which agrees generally with provincial reporting received thus far. (See table 1 in the appendix.)

Although this year's summer grain crop was also plagued by drought and high temperatures, the drought broke on 8 June and overall growing conditions were better than last year in the important North China Plain region. Kiangsu Province, the northern portion of which lies within the Plain, accounted for fully one-half of the national increase in winter wheat and barley output. This performance in a province that suffered worse drought than in 1977 indicates better water management and that the claim of 40 percent “stable high yield” fields is reasonable.

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Winter wheat, which includes barley in Chinese grain statistics, was the bright spot in this year's summer grain harvest. Among major producers, excellent crops in Anhwei, Honan, Kiangsu, and Shantung paced the national increase. Good harvests in a number of lesser provinces helped to offset the lackluster harvests of Hopeh and Shensi, both major producers. Shensi reported a 30-percent decline from 1977 output. (See table 2 in the appendix.)

The output of spring wheat—about 2 percent of China's annual grain output—may be slightly better than last year. Kirin Province, a relatively minor producer, has reported a "fairly good harvest" in 1978. Heilungkiang, which accounts for nearly one-half of the spring wheat area, reached its acreage target, but has made no output claim. In Heilungkiang, there was much press reporting on drought in late May and early June, but weather data do not show a severe problem. It is too early to tell if the absence of reporting indicates a decline in output or a later than normal harvest due to cooler weather and better rainfall than the last two years.

Early Rice

On 1 August, Vice Premier Chi Teng-kuei stated that this year's increase in early rice was not very large and cited drought and high temperatures as the causes. Since the increase was not large enough to report individually, this could be the second year of maintaining the 1976 record production level for early rice. However, we have apportioned 3 million of the combined 10-million-ton increase in summer grain and early rice to early rice by process of elimination; we do not believe summer grain accounted for more than 7 million of the 10 million tons. Hence, we estimate the 1978 early rice output at about 53 million tons—a slight increase over the 1976 record.

China's early rice crop almost always encounters some form of adverse weather because of the early planting date necessitated by multiple cropping. Judging from the last two years, inputs and land management are adequate to maintain the status quo. However, it may be that new varieties, less sensitive to day length and of shorter

maturity, helped to increase the output of this crop that accounts for nearly one-fifth the annual harvest.

Most provinces completed their early rice harvest ahead of schedule because of high temperatures that forced the grain to maturity. This was particularly true in the Middle Yangtze Plain, where Hunan and Hupeh had good harvests. The coastal Provinces of Chekiang and Fukien also had good harvests, with respective increases of 15 and 16 percent over 1977. Kiangsi reported a 10-percent increase over last year.

In south China, Kwangtung Province reported that it "failed to fulfill the planned increase" in early rice. Neighboring Kwangsi, another province with large acreage, made no claim. A cool wet spring caused seedlings to rot and delayed planting. In Szechwan, a relatively minor producer, production stayed the same despite an acreage cut to accommodate crop rotation shifts, indicating good yields. (See table 3 in the appendix).

Fall Harvest Prospects

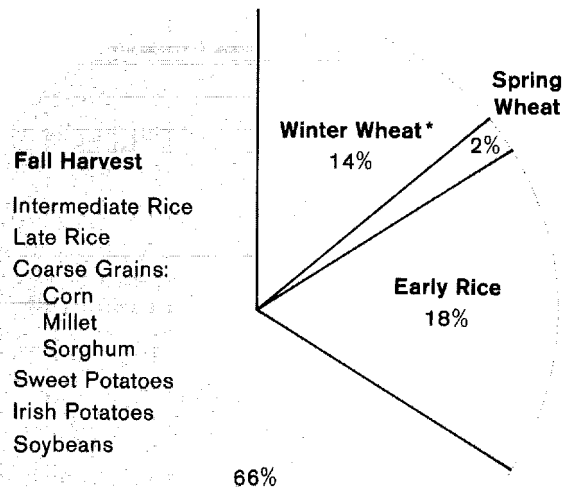
We believe this year's fall harvest will be at least as good as last year's. Coarse grains in the North China Plain and northeast are doing well despite delayed planting. Growing conditions for intermediate and late rice are generally good. This harvest normally accounts for about two-thirds of annual grain output, including soybeans and tubers (see figure 1).

It is still too early to estimate the outcome of this year's intermediate rice crop, now being harvested. The crop was growing well in most major areas in late August, but it is possible that a decline in acreage due to shifts in crop rotation will hold output down.

Late rice output may turn out to be about the same as last year's. In south China, transplanting of late rice was delayed by the late harvest of early rice. This has become an almost perennial problem associated with increased cropping intensity in south China. Problems arise when harvesting of late rice is delayed until mid-November, as cool weather retards growth and rainstorms can cause large losses. Thus far,

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China: Composition of Grain Output Figure 1



*Includes winter wheat, barley, lentile, and pulses.

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conditions in the Middle Yangtze Plain and lower Yangtze Plain appear better than last year.

Much of China's important coarse grain crop (corn, millet, and sorghum) was planted under drought conditions this year. Most damaged crops were replanted, and reasonably good stands were achieved before heavy rains ensued in late June and early July. In north China, where waterlogging is common, conditions thus far are better than last year. Nevertheless, it is still too early to assess the impact of weather on this area. In northeast China, where heavy rains and subsequent waterlogging affected only low-lying areas, crops may be better than last year.

Industrial Crops

The drought conditions that affected the summer grain harvest probably affected cotton as

well. There has been virtually no reporting on this year's crop, but acreage has apparently been rather constant since 1973. In provincial reporting, only Kiangsu has mentioned cotton since June, and cotton there was withering in some areas at the end of August. A limited amount of available land, marginal growing conditions in some provinces, and increasing output of synthetic fibers have combined to limit the growth of cotton output. We expect this year's crop will be about 2.0 million tons, the same as in 1977 but far below the 1973 level of 2.6 million tons.

China was able to improve its output of rapeseed to a record level this year largely because of expanded acreage. The 1978 acreage was about 667,000 hectares greater than 1977, partly due to expanded early winter plantings on idle cotton and rice fields. This has helped to alleviate China's chronic shortage of edible oils, but the balance for this year will depend on upcoming harvests of peanuts, sesame, and cottonseed.

China's 1977/78 sugar crops (cane and beet) increased 15 percent over 1976/77's drought-stricken crop. Cane production was up in south China due to increased area and better weather. Yields increased in Heilungkiang and Kirin Provinces, China's main beet producers. Despite increases of 22 percent in Kwangtung, 30 percent in Fukien, and 100 percent in Szechwan, this year's national output was not claimed as a record. The outlook for the 1978/79 crop is mixed. Conditions appear at least as good as last year in south China, and better rainfall in the northeast may increase this year's beet crop.

Impact on Trade

Agricultural imports in 1978 will exceed those of 1977. A record 8.7 million tons of grain have been purchased for 1978 delivery. Of this amount, Canada will supply 3.2 million tons, Australia 2.4 million, the US 2.7 million, Argentina 0.2 million, and other sources 0.2 million (see figure 2). These large purchases were due primarily to pressures on grain supply caused by China's inability to increase grain production since 1975, while population was increasing by about 60 million. Until late 1976, China drew

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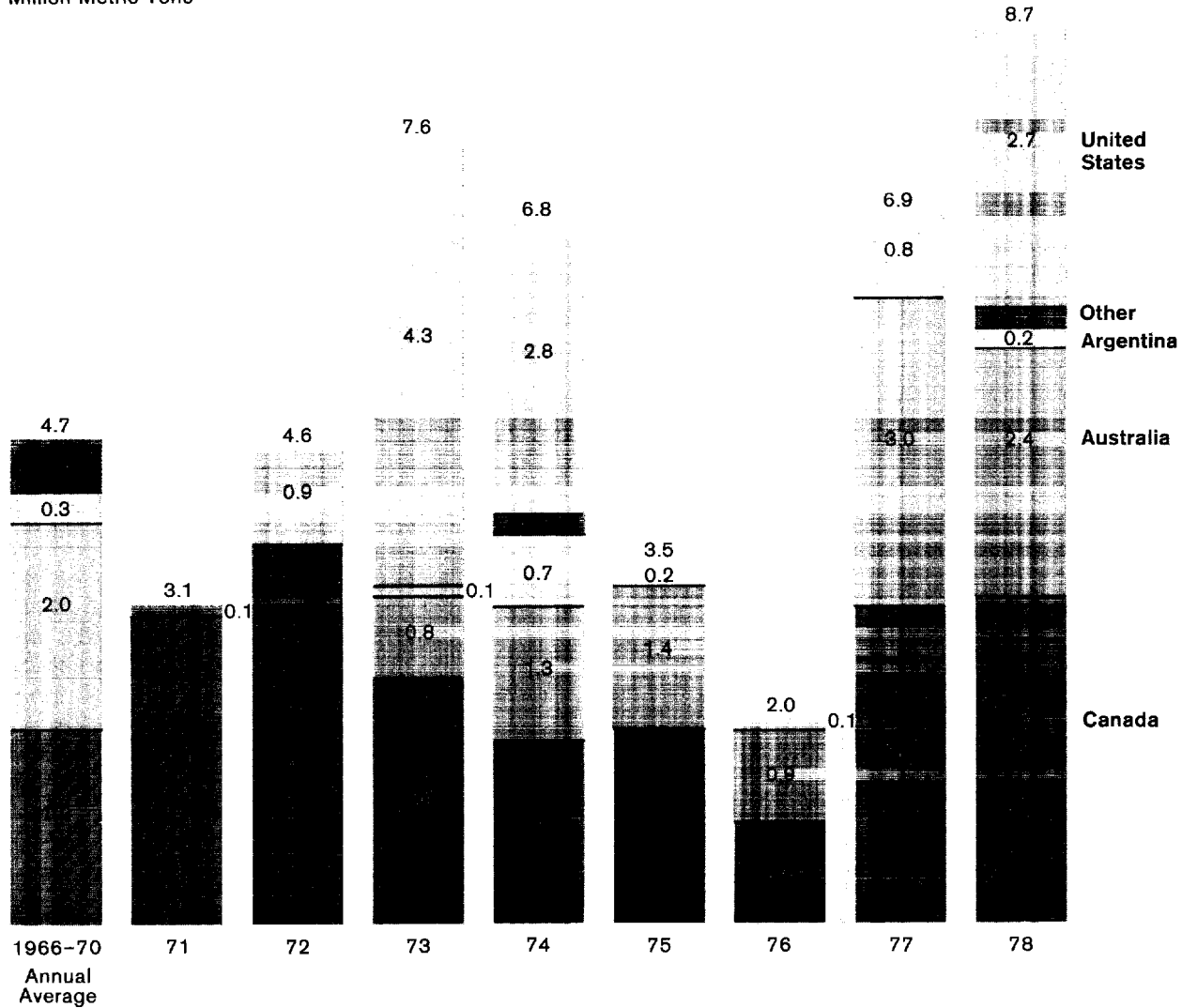
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China: Imports of Grain, by Source

Figure 2

Million Metric Tons



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down grain reserves to avoid spending hard currency, which merely delayed the increased purchases. Lower prices for wheat and the availability of foreign exchange have also encouraged purchasing.

We estimate that China will need approximately 850,000 tons of imported grain monthly this year and next to maintain a steady supply to

the cities of north China. Several developments bolster the analysis:

- Purchases of 4.0 million tons of US grain for delivery between September 1978 and September 1979.
- Canada has a contract to supply China 3 million tons of wheat from September 1978 through August 1979.

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- Argentina has signed a long-term agreement with China calling for 800,000 to 1 million tons of grain per year for the 1979-81 period.
- Australia, a traditional supplier of Chinese wheat imports, will be negotiating in Peking this month. Australia will be able to supply the estimated 2.0 million tons needed to keep wheat imports flowing at 850,000 tons per month in 1979.

China continues to purchase US grain for delivery during 1979 before attempting to fulfill its needs from traditional suppliers. The most recent purchase covers over 1 million tons of corn for October 1978 - February 1979 delivery, raising total purchases of US grain to 5 million tons since April. These sales show that China no longer considers the United States a residual supplier and has broadened its base of suppliers to lessen the possibility of a recurrence of the shipping delays caused by Canadian transportation problems and Australian overselling last year.

Imports of other agricultural commodities are also continuing at high levels. Sugar imports will exceed 1 million tons and may reach last year's level of 1.6 million tons. The Chinese have continued unusually large imports in spite of claims of a good cane harvest and major increases in sugar production. They have probably opted to take advantage of depressed world sugar

prices to increase consumption or stockpiles at bargain prices. The Chinese have not resold unusually large amounts of refined sugar on the world market, and fears that China might dump refined sugar on the market appear unjustified.

Cotton imports, following a poor harvest in 1977, are already triple the 1977 level and will exceed 500,000 tons. United States cotton growers have benefited from the record Chinese demand by already selling 145,000 tons of cotton.

Imports of soybeans are down considerably from last year. Soybean oil imports will continue to be in the range of 150,000 to 200,000 tons. The domestic oilseed situation remains tight following last year's poor oilseed harvest, although the record rapeseed harvest is expected to help alleviate the shortages.

On the export side, the Chinese have committed at least 800,000 tons of rice for export in 1978, and exports are likely to reach 1 million tons. Higher world prices are the most likely cause of the increase over last year's exports of 700,000 tons. Thus far, soybean exports have continued at or below the low level of last year, but it appears that Chinese attempts to increase soybean production for export are beginning to succeed. China is now selling soybeans from its 1978 crop to Japan for November-March delivery, and initial offerings indicate that sales will be at least 250,000 tons.

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APPENDIX

Table 1

China: Summer Grain Output, 1978

Province	Claim	Source ¹
Anhwei	Total output 20 per- cent over 1977	FBIS, 9 Aug 78, G4.
Chekiang	Total output 100 per- cent over 1977	SWB, FE/W988, 2 Jul 78, A8.
Fukien	Record output	PD, 3 Aug 78, p. 1.
Honan	No claim	FBIS, 24 Jul 78, H1.
Hopeh	Total output 20 per- cent over 1977 record output	FBIS, 17 Jul 78, E21. PD, 3 Aug 78, p. 1.
Hunan	Below record	FBIS, 25 Aug 78, H1.
Hupei	Total output 20 per- cent over 1977	SWB, FE 987, 5 Jul 78, A5.
Kansu	No claim	
Kiangsi	No claim	
Kiangsu	Total output 20 per- cent over 1976, the previous record; 2,500,000 tons over 1977	FBIS, 1 Aug 78, E20.
Kwangsi	No claim	
Kwangtung	Record output	PD, 3 Aug 78, p. 1.
Kweichow	Record output	PD, 3 Aug 78, p. 1.
Liaoning	No claim	
Peking	Record	PD, 3 Aug 78, p. 1.
Shanghai	Bumper harvest	FBIS, 11 Aug 78, G7.
Shansi	No claim	
Shantung	Better output than 1977	FBIS, 18 Aug 78, G3.
Shensi	No claim	
Sinkiang	Total output 15 per- cent over 1977 all- time high	FBIS, 7 Aug 78, M1.
Tientsin	Total output 50 per- cent over 1977 rec- ord output	FBIS, 20 Jul 78, K2. PD, 3 Aug 78, p. 1.
Szechwan	Total output 10 per- cent over 1977 rec- ord output	FBIS, 8 Aug 78, J5. PD, 3 Aug 78, p. 1.
Yunnan	Record output	PD, 3 Aug 78, p. 1.

¹ The following abbreviations were used for source references: FBIS (Foreign Broadcast Information Service, Daily Report, People's Republic of China); SWB (British Broadcasting Corporation, Summary of World Broadcasts, Part 3, "The Far East, Weekly Economic Report"); and PD, *People's Daily*, Peking.

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Table 2

China: Winter Wheat Output

Province	1978 Output	Area	Source of Information ¹
	Claim	(Million Hectares)	
National	5 million metric tons over 1977	No claim	
Provincial Total		26.77	
Anhwei	20 percent over 1977	1.80	FBIS, 11 Jul 78, G1.
Chekiang	2 times 1977	0.53	FBIS, 21 Jun 72, C3.
Fukien	Record	0.26	FBIS, 13 Dec 76, G1.
Honan	10 percent over 1977	4.14	FBIS, 19 May 78, H9.
Hopeh	No claim	2.67	FBIS, 13 Jul 78, K3.
Hunan	No claim	0.60	FBIS, 17 Mar 72, B5. 26 Jun 72, B3.
Hupei	No claim	1.80	FBIS, 6 Jan 76, H8. 10 Jul 75, E2.
Kansu	No claim	0.80	FBIS, 20 Apr 77, M3.
Kiangsi	10 percent over 1977	0.30	FBIS, 21 Feb 74, C12.
Kiangsu	10 percent over 1976	2.27	FBIS, 1 Jul 75, G2.
Kwangsi	No claim	0.17	FBIS, 9 Jun 77, H3.
Kwangtung	No claim	0.53	FBIS, 21 Apr 78, H5.
Kweichow	No claim	0.52	SWB W865/A/6, 18 Feb 76.
Liaoning	No claim	0.10	SWB W853/A/7, 19 Nov 75.
Peking	No claim	0.18	SWB W865/A/8, 18 Feb 76.
Shanghai	No claim	0.20	SWB, 9 Jun 76, A5. FBIS, 11 Apr 74, G9.
Shansi	No claim	0.98	FBIS, 17 May 78, K2.
Shantung	7 percent over 1977	3.87	FBIS, 25 Jul 78, G8.
Shensi	30 percent below 1977	2.00	JPRS 70773, 14 Mar 78, p. 71.
Sinkiang	No claim	0.69	FBIS, 5 Jun 78, M2.
Szechwan	No claim	2.07	Hsinhua, 11 May 78, p. 20.
Tibet	No claim	0.05	FBIS, 13 Apr 77, J1.
Tientsin	No claim	0.20	FBIS, 21 Mar 75, K4.
Yunnan	No claim	0.04	FBIS, 11 Oct 73, E2.

¹ The following abbreviations were used for source references: FBIS (Foreign Broadcast Information Service, Daily Report, People's Republic of China); JPRS (Joint Publication Report Service); SWB (British Broadcasting Corporation, Summary of World Broadcasts, Part 3, "The Far East, Weekly Economic Report").

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Table 3

China: Early Rice Output

Province	1978 Output Claim	Area (Million Hectares)	Source of Information ¹
National	"Increase not very large"	13.00	FBIS, 18 Aug 77, E7
Provincial total		12.23	
Anhwei	No claim	0.80	FBIS, 23 Mar 77, G2.
Chekiang	15 percent over 1977 all-time high	1.20	FBIS, 24 Aug 78, G1.
Fukien	16 percent over 1977; 100,000 metric tons over 1974 peak	0.73	FBIS, 18 May 78, G3.
Hunan	10 percent over 1977	2.06	FBIS, 24 Aug 78, H1.
Hupei	Bumper	1.13	FBIS, 19 Aug 77, H6.
Kiangsi	10 percent over 1977	1.60	FBIS, 24 Aug 78, G1.
Kiangsu	No claim	0.87	FBIS, 25 Aug 76, E5.
Kwangsi	No claim	1.3	FBIS, 9 May 78, H6.
Kwangtung	Failed to fulfill planned increase	2.00	FBIS, 9 May 78, H6.
Kweichow	No claim	0.06	FBIS, 15 Aug 73, E1.
Shanghai	No claim	0.15	FBIS, 10 Jun 76, E5.
Szechwan	No increase	0.26	FBIS, 23 Aug 78, E10.
Yunnan	11.4 percent over 1977	0.07	SWB W844/A/13, 17 Sep 75.

¹ The following abbreviations were used for source references: FBIS (Foreign Broadcast Information Service, Daily Report, People's Republic of China); SWB (British Broadcasting Corporation, Summary of World Broadcasts, Part 3, "The Far East, Weekly Economic Report," "Summary of People's Republic of China Press").

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