

2. Foreign Exchange Situation

Following recent June events, the foreign exchange situation seems to have deteriorated steadily as a result of falling exports, and suspension of foreign loans by most western countries. The situation is further aggravated by the suspension of World Bank loans. The government is now imposing restrictions on imports and only essential products/commodities are allocated foreign currency priority. Meanwhile, the government is expanding domestic production of agriculture inputs such as fertilizers, plastic sheeting, pesticides, etc. in an effort to boost agriculture production and reduce imports.

3. Fertilizer Situation

Consumption of chemical fertilizers is increasing at a rate of 3.2% annually and the demand far exceeds available supply. Imports of manufactured fertilizer reached more than 14.7 million tonnes which is equivalent to 6.6 million tonnes of nutrients. Meanwhile nitrogen fertilizer production increased by 1.3% in 1988, while phosphate fertilizer production increased by 20%. The production goal for 1995 is 30 million tonnes. Potash accounts for only 2.3% of total fertilizer consumption at present.

4. Import Mechanism

Grain imports are controlled by the China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO). COFCO negotiates directly with foreign exporters such as the Canadian Wheat Board and the Australian Wheat Board. COFCO in consultation with the State Council, State Planning Commission, Ministry of Agriculture, and Ministry of Commerce determine overall import requirements.

5. Grain Industry Infrastructure

Ministry of Commerce is responsible for transportation, distribution and processing of both imported, as well as domestic grains. The system in place has not changed significantly since last year. The World Bank continues to provide loans in support of port facilities expansion.

6. Government Policies Affecting Grain and Agriculture

Agriculture production continues to be a top priority for the Chinese government. The government allocates significant sums of foreign exchange to ensure availability of agriculture inputs (fertilizers, plastic sheeting, pesticides, etc.). Recent government policy encourages expansion of grassland utilization for livestock production (mainly cattle and sheep rather than grain fed livestock (pigs) in order to reduce pressure on limited grain resources.

It is unlikely that grain production will increase sufficiently to meet both the rising consumer demand and the growth in population (about