

AID-FOR-TRADE CASE STORY

CHINA

China-Canada “Small Farmers Adapting to Global Markets” Project

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EXECUTIVE SUMMARY

Faced with the higher demand for the food safety and quality in the global market after China’s accession to WTO, Canadian International Development Agency cooperated with Chinese Ministry of Commerce to implement “Small Farmers Adapting to Global Markets” Project so as to help the small farmers adapting to the new market and obtain more new opportunities. This project not only improved the living standard for Chinese farmers, but also fulfilled Chinese commitment to WTO. Initiated from April 1st, 2003, it took five years and about 40 million Canadian Dollars to implement the project, of which about 20 million was contributed to the Canadian International Development Agency and the rest contributed by the Chinese side.

The Canadian executing agency of the Project is Agriculture and Agri-Food Canada (with offices in Ottawa and Beijing). The Chinese counterpart is the Ministry of Commerce. A Board of Directors is in charge of supervising and guiding the implementation of the project. The member units of the Board include the Canadian International Development Agency, Agriculture and Agri-Food Canada, as well as eight Chinese ministries and commissions including the Ministry of Commerce and Ministry of Agriculture.

The program involves four main aspects, which are Food Safety System, Enhanced WTO Compliance Capability (Capability Building), Agricultural Administration Reform (Policy Research) and Small Farmers Adapted to the Markets in Conformity with WTO Rules (Pilot Project for Provinces in Western China).

The very project was nominated one of the Persons of the Year Working on Agriculture, Countryside and Peasant in 2008 for its great contribution to the relevant areas.

ISSUES ADDRESSED

The Program of Adaptation of Small Farmers to Global Market Development is a five-year program jointly conducted by the governments of China and Canada. This mission of this project is to help the small farmers adapting to the new market and obtain more new opportunities. This project not only improved the living standard for Chinese farmers, but also fulfilled Chinese commitment to WTO

OBJECTIVES PURSUED

This program is Canada's largest agricultural aid program for China so far, and also the first international cooperation program oriented to help Chinese small farmers adapt to the international market after China joined the WTO.

The project has been planned to launch a series of activities in order to assist relevant agricultural and food safety administrative departments of the Government of China to enhance their capacity in policy-making and administration, and also assist farmers in western China who participate in the pilot project to benefit from new policies, new technologies and new methods and thus adapting to the globalization in a better way. The Project activities are centered around the four fundamental pillars as Farmers benefit from higher incomes by providing safer and more marketable food complaint with WTO sanitary and phytosanitary requirements, Farmers benefit from improved services and program which reflect China's requirements as a full WTO member, provided by reformed, and modernized agricultural institutions, Farmers benefit from agricultural policy adjustments which meet China's WTO rights and obligations, Farmers benefit from new policies and technologies through pilot projects in western China. The Project activities also include a pilot project at the grassroots level, establish the macro-micro links between the national government and the local governments.

DESIGN AND IMPLEMENTATION

The project was initiated in April 2003. Since then, a series of activities and researches have been done to help the small farmers adapting to global markers especially in the aspect of food safety, capacity building and Policy Research for Agricultural Administration Reform.

Since 2004, the small farmer program has carried out the construction of demonstration sites in Sichuan Provinces and Inner Mongolian Autonomous Region to help farmers in these regions increase the income by producing and selling high-quality agricultural products. The program has built a total of 55 demonstration villages in three counties of Sichuan Province, and 40 in two counties of Inner Mongolia, including the demonstration villages of the vegetable supply chain in Pengzhou City near Chengdu City, pork in Zizhong County of Neijiang and colza in Santai County of Mianyang in Sichuan Province as well as potato in Wuchuan County of Huhhot and milk in Helinger County in Inner Mongolia.

By the end of 2007, the program had accumulatively trained more than 20,000 farmers, agricultural technology promotion workers and officials from agricultural product processing enterprises and governments in Canada and China, helped relevant local staff better understand food safety, farmer cooperation, WTO rules and others, driven the development of local agricultural product supply chains and increased farmers' income.

The project was finished at the end of 2008 with the high reputation for the achievements in the field of food safety, agricultural administrative reform and agricultural policy adjustment.

PROBLEMS ENCOUNTERED

4.1 The project is inherently complex

The small farmer project is a strongly comprehensive project involves macroscopic policy research and

microscopic demonstration sites construction. Vertically, it has several stakeholders, such as ministries, grassroots officials, farmers, companies and the research institutions. Horizontally, it was facing the problems in the technology, management and policy in each sector of the food supply chain.

4.2 The farmers have the traditional idea for the development style

The small farmers in China especially in the western part of China hosted their traditional idea of agricultural development and to some extent didn't want to change their style too often. Although the government has made great effort, it was still a hard work to persuade them and made them cooperative. Even more, in some less developed area.

FACTORS FOR SUCCESS

5.1 Equity

5.1.1 Gender equity

In this project, it has broken the traditional gender discrimination and invited the women to have the further discussion with the men. There was also a training program in the project among which above 30 % were female participants.

5.1.2 Position equity

This project has involved lots of stakeholders in different level as mentioned above. Although the farmers were at the bottom level, they were authorized full right the show their opinion and complain through the "dialogue system". In practice, the managerial level can exchange their idea and improve the mutual understanding through several approach, such as the annual project board committee conference, the regular holding project managerial meeting, and the frequent informal dialogue, so that all the stakeholders involved can know the current situation, the plan for the next year and the budget arrangement.

5.2 Effectiveness

5.2.1 Transparency

Through practice, the project manager has set up the "four level management model" to avoid the information asymmetry and enhance the coordination. The four levels are the ministry level, the provincial level, the company level, and the farmer level.

5.2.2 Evaluation

During the five years, the managers put more emphasis on the project evaluation at the different period so as to find out the problems in time and deal with it. For instance, Mr. Roger De Winter, the consultant invited by Canadian International Development Agency did the mid-term evaluation for the project. After visited the staff and institutions in the pilots in Sichuan Province in Feb, 2008 and attended the project board committee conference in Beijing in April 2008, he raised the improvement suggestion in detail. The Chinese side also has invited the experts to do the evaluation through interview, data analysis, and observation, etc.

RESULTS ACHIEVED

It is a big challenge for China to compete in the international market after its accession to WTO. At the early stage of the program, China's food safety supervision mechanism and the internal safety supervision system of the industry still couldn't fully adapt to the severe food safety situation, and food safety accidents and recalls occurred a lot, which has influenced China's production and trade of agricultural products and foods.

For this reason, the small farmer program focused on the agricultural product quality and food safety and learned Canada's advanced experience. Under the program, the National Development and Reform Commission, the Ministry of Agriculture, the General Administration of Quality Supervision, Inspection and Quarantine, the State Administration of Drug and Food, the Certification and Accreditation Administration and the Development Research Center of the State Council have led the implementation of seven policy researches, including the "Cold Chain Logistics Policy for Agricultural Products of China", the "Farm Quality Assurance", "Establishment of China's Food Recall System", "Implementation of Good Agricultural Practice among Chinese Small Farmers", "Research and Development of Policy for Handling Material Food Safety Crises" and "China's Food Safety Strategy and Food Safety Supervision System". At the same time, the Ministry of Commerce has borrowed some advanced experience from Canada in revising the Pig Slaughtering Regulations under the support from the program.

6.1 In the aspect of food safety

6.1.1 Food Safety Law

These policy researches have imposed great influences on the Food Safety Law of the People's Republic of China (Draft) to be promulgated by the State, the Law of the People's Republic of China on Quality Safety of Agricultural Products published in April 2006, the Provisions on Food Recall Administration formulated by the General Administration of Quality Supervision, Inspection and Quarantine in August 2007 and the Pig Slaughtering Regulations revised by the Ministry of Commerce in May, 2008. At the same time, these researches have made the formulation and revision of these laws and regulations better comply with the WTO rules, adapt to the development of China's market economy, helped build and improve China's food safety supervision system from field to table, and also increased the transparency in China's food safety to some extent.

6.1.2 Food safety mechanism

This program has made excellent achievements in the food safety mechanism, the construction of small farmer demonstration sites and other aspects. These achievements have played an active role in developing China's agricultural trade policy, promoting the promulgation of relevant laws and regulations consistent with the laws of the market economy, perfecting China's agricultural product quality and food safety system, increasing the extent of industrialization, market orientation and organization of agriculture, spreading agricultural technologies, enhancing the market competitiveness of agricultural products and helping small farmers get richer.

6.2 Enhanced WTO Compliance Capability (Capability Building)

6.2.1 China's research capability in the WTO agricultural negotiation

The policy researches under this program in the WTO agricultural negotiation topics mainly include the "Research on Domestic Agricultural Support and Comprehensive Support Volume", "Green Box", "Yellow Box", "Blue Box", "Market Access" and "SPS Measure and Its Tariff Barrier". Agriculture is an important subject in the WTO Doha negotiation. The small farmer program has supported the aforesaid six policy researches to strengthen China's research capability in the WTO agricultural negotiation, foster high-level experts in agricultural trade policy for China and provide powerful technical support for future negotiation. These research achievements have provided the effective reference for the actual work. In particular, the research on the agricultural product market access has analyzed the influence of various tariff cut formulas in detail, according to the agenda of the Doha round, China's tariff rate on agricultural products and China's agricultural development status and through the economic model. On this basis, the report has come up with highly pertinent suggestions on the negotiation, and particularly provided very powerful technical supports for the positions and opinions of Chinese negotiators through suggestions on seeking the maximum special and differential treatment and new member treatment, and giving developing countries enough time and flexibility in important areas related to the national economy, people's well-being, rural development and food safety.

6.2.2 The capacity of the Chinese staff

It is also a major activity under this program to build up the capacity of the Chinese staff. During the five years of implementation, the small farmer program has organized 36 training courses on food safety, 14 on

farm quality assurance, 6 on the WTO agricultural policy and many on agricultural operation and management. The cumulative number of trainees hits nearly 20,000, including more than 600 at the central level, 2,933 provincial technical promotion workers, and about 11,000 farmers. Among them, women trainees account for 31%, and the trainees from the minority ethnic groups occupy 10%. With the program support, the first Meat Hygiene Inspection Training textbook has been popularized by the Ministry of Commerce nationwide.

6.2.3 The sustainable development

The trainings on the WTO agricultural trade policy have both enabled the Chinese officials participating in the negotiation to learn and understand the WTO rules and utilize these rules, and built an exchange and communication platform for the government officials and experts from China and Canada. In addition, such training mode has also helped the Chinese side to build an extensive teaching staff network, thus guaranteeing the sustainable development after the program.

6.3 Agricultural Administration Reform (Policy Research)

The program has supported five policy researches in agricultural administration, including the “Research on Farmers’ Professional Cooperative Economic Organizations” implemented by the Development Research Center of the State Council, the “Research on Policy of Promoting and Reforming Farming Machinery Technology” organized by the Chinese Academy of Sciences, the “Research on Development Strategy and Action Plan for Agricultural Product Trade Associations” conducted by the Agricultural Economic Research Center of the Ministry of Agriculture, the “Research on China’s Environmental System and Policy in Rural Areas” performed by the Resources & Environment School of the Chinese Academy of Sciences, and the “New Framework of China’s Agricultural Policies” led by the Ministry of Agriculture.

Some research achievements have been adopted by the policy documentations decreed by the State Council. For example, the State Council distributed the Opinions of the State Council on Deepening the Reform and Strengthening the Construction of the Grassroots Agricultural Technology Promotion System (State Council Document [2006] No. 30), which adopts part of the research achievements of four policy consulting reports, including the Suggestions on Pushing the Reform of Agricultural Technology Promotion System prepared by the Chinese Academy of Sciences. The Opinions has become a guideline for the new-round reform of the grassroots agricultural departments for technology promotion. In 2007, the State Council distributed Several Opinions of the General Office of the State Council on Accelerating the Reform and Development of Industry Associations and Chambers of Commerce, which contains part of the research achievements of the Research on Development Strategy of Chinese Agricultural Product Industry Associations organized by the Ministry of Agriculture.

These achievements have to some extent propelled the formulation and amendment of local agricultural policies. For example, Santai County in Mianyang City of Sichuan Province has worked out the Plan for Developing Two-low Colza and the Plan for the New Rural Area Construction (Planting Industry), and Helinger County in Huhhot City of Inner Mongolia has issued the Opinion on Promoting the Sustainable and Healthy Development of the Dairy Industry. These new local policies have well instructed the development of local agriculture and animal husbandry.

6.4 Small Farmers Adapted to the Markets in Conformity with WTO Rules (Pilot Project for Provinces in Western China).

The new rural area construction is an important part of China’s Eleventh Five-year Plan, a historical task in China’s modernization process, and also a systematic project. The small farmer program has provided active support for the new rural area construction in the demonstration areas, and enhanced the organizational level, professionalism and industrialization of the agricultural production of small farmers in these regions.

Wuchuan County is a national impoverished county, and a key demonstration site supported by the program. Thanks to efforts under the program and of the Ministry of Agriculture as well as support from other ministries and commissions, the Chinese and Canadian experts have conducted the field survey, introduced advanced technologies from Canada, and established the industrial strategy of developing green potatoes free from public hazards and building the Wuchuan potato brand. Wuchuan potatoes have not only entered major supermarkets in big cities, but also been selected as the special green food for the Beijing Olympic

Games.

Live pig raising is a key industry in Zizhong County in Neijiang of Sichuan Province. Since 2004, the small farmer program and the Zizhong County Animal Husbandry and Foods Bureau have joined hands to implement the demonstrative pork chain management across the county. The program has developed the pig-marsh gas-fruit (vegetable) circular economy in the county to avoid environmental pollution, developed the pig industry associations and cooperatives to improve the organizational level of farmers; pressed ahead with the pilot for pig raising insurance business to reduce risks; and explored the live pig fosterage mode to realize the “win-win” of both farmers and meat processing enterprises. It is worth mentioning that after China was hit by Wenchuan earthquake on May 12,2008, the program has adjusted its plan in time, and taken actions to help disaster-hit small farmers to resume production and rebuild their homes based on field survey.

LESSONS LEARNED

7.1 Ensure information transparency

No matter how complex the project is, information asymmetry will be the fatal factor. So, the manager should set up the effective structure to ensure the information transparency.

7.2 Guarantee the right of participation for the bottom level stakeholders

Guarantee the right of participation for the bottom level stakeholders helps the project implement smoothly because the bottom level is the implemental level. They know the real problem and condition of the project since they are the persons who care the project most directly.

7.3 Regular evaluation

At the very begging of the project, the manager should make out the clear time schedule and set the period for evaluation. The experts, the scholars and the officials should be in the list to evaluate the project implementation on several aspects like budget, input, output and outcome.

7.4 Pilot experiment

It is usually a careful way to find some pilot cities or places to start the reform. As the pilot should be the most eager regions to be reformed, the influence must be the most obvious and the difficulties will be the easiest opposed.

CONCLUSION

The small farmer project covers both macroscopic policy research and microscopic demonstration sites construction. The policy researches mainly involve three dimensions – food safety, WTO agricultural negotiation topics and agricultural administration. They have directly or indirectly propelled the relevant Chinese ministries and commissions to formulate and enact a multitude of relevant laws and regulations, reinforced China’s ability to participate in the multilateral trade system, and built up the participant’s administrative capacity. Among other things, the most important is that only through policy reform and pilot experiment can achieve the success of the aid program.