

MASTER'S THESIS

China's grain economy: problems and prospects under economic reform

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**CHINA'S GRAIN ECONOMY:
PROBLEMS AND PROSPECTS UNDER ECONOMIC REFORM**

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**A thesis submitted in partial fulfillment of
requirements for the degree of
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ABSTRACT

This thesis is an attempt to generate more understanding of China's grain economy under the economic reform. Distinct but inter-related issues mostly relevant to the second stage of the agricultural reform started in 1985 are dealt with. Problems of the existing land system are first explained and various reform proposals reviewed. The supply behaviour of peasant households under the double-track pricing system is then analyzed. One significant result from the mathematical models is that if plan evasion prevails, both the market and the planned prices of grain as well as the price of cash crops have influences on grain output. Possible quantum adjustments (either jump or fall) in output are found to be a distinct possibility. The third issue tackled is the emerging role of "negotiated purchases" in China's grain market. Several policy criteria for buffer stock management by the government and the setting of the procurement price are derived from a dynamic Cobweb model. The investment problem in agriculture during the reform period is then explored. Empirical tests including a VAR exercise show that the impact of shrinking investment on grain output was highly significant. The thesis concludes by a discussion of the external factors that have been limiting the progress of China's reform in the grain sector.

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