



China's Ministry of Finance Circulates A Notice to Subsidize Government Directed Sales of National Temporary Corn Reserves

On September 14, 2009, China's Ministry of Finance (MOF) issued a circular announcing that the Chinese government will disburse financial subsidies to government directed sales from the national temporary corn reserves. The purpose of the subsidy, decided during the 58th executive meeting of the State Council of China, is to promote domestic corn deep processing,* to improve the operations of major corn processing companies, and to ease the pressure on grain reserves. The policy will be carried out in Inner Mongolia, Liaoning, Jilin, and Heilongjiang Provinces.

The notification stipulates that national temporary corn reserves to be sold at the government's direction will be transferred from the national temporary reserves to provincial temporary reserves before being sold to local corn deep processing enterprises. Within the prescribed period from the date the grain is transferred from the national reserves to December 31, 2009, the actual processed corn resulting from the transfer will be subsidized. The subsidy will be paid to the provincial government by the Finance Ministry as a one-time fixed subsidy, which will be determined after audit by the state. The announcement stated that subsidies for government directed sales of corn will be RMB 150 per metric ton. However, corn reserves transferred to the provincial governments that are not sold by the deadline will not be subsidized.

The notification also specifies that the finance department of each province or autonomous region must calculate the actual amount of subsidies for *de facto* quantities of processed corn in consultation with the Provincial Commission of Development and Reform, Grain Bureau, Agricultural Development Bank, and local branches of Sinograin. The deadline for provincial finance departments to submit their applications for fixed subsidies to the Ministry of Finance is January 31, 2010.

Subsidy funds will be partially pre-paid by the central government's fiscal budget management entity when implementing the policy. The remaining balance between each province's *de facto* fixed subsidies and pre-paid funds will be paid in full at the beginning of 2010.

In addition, the transfer price of corn from the national reserves will be based on a prescribed fixed price, which has not yet been specified, and the deficit resulting from the fixed price and the actual inventory costs, including the costs resulting from the price difference between the government procurement price and the open market price, procurement costs, drying costs, and costs of building up approved open grain storage facilities, etc., will be subsidized by the central government fiscal budget. Once the total subsidy resulting from the price difference is approved by the central government, it will then be paid in full to Sinograin.

(News resource: China Ministry of Finance)

*Deep corn processing refers to processing in which the end product no longer has the physical properties of corn, such as production of starch, ethanol, and corn oil.