

# Research on the Inter-Provincial Horizontal Benefit Compensation Mechanism of Grain Production and Marketing Areas from Multiple Perspectives

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## Abstract

The main grain producing areas are the "ballast stone" of China's grain production, and their stable production is very important to ensure the national grain supply. The main grain sales area is the main market for grain consumption, and the role of stimulating the demand for grain cannot be ignored. However, the current imbalance in the distribution of economic benefits between production and marketing areas has affected the healthy development of the grain industry to a certain extent. This paper expounds the intrinsic requirements of inter-provincial horizontal interest compensation in grain production and marketing areas from four aspects: national food security, new pattern of regional development, coordinated development of grain production and marketing areas, and interest compensation of major grain producing areas, and explores the multi-dimensional cooperation methods of grain production and marketing areas from four aspects: economic compensation, compensation for science and technology and talents, public goods and services, industrial development and employment, in order to provide feasible suggestions and policy references for reducing economic disparities in grain production and marketing areas and ensuring national food security.

## Keywords

National Food Security; New Pattern of Regional Development; Coordinated Development of Grain Production and Marketing Areas; Compensation for the Interests of Major Grain Producing Areas.

## 1. Introduction

Since ancient times, food security has been a major issue related to the national economy and people's livelihood, and grain production is the basis for ensuring food security and ensuring national security. China has a vast territory, and there are significant differences in natural resource endowment, economic development level and agricultural production conditions in different regions, which leads to a complex situation in grain production, circulation and distribution of economic benefits in grain production and marketing areas. The main grain producing areas are important carriers of grain production, supply and savings in China, and play an important role in ensuring the national food security system, but their economic development is relatively lagging behind under the role of market mechanism. Although the main grain sales areas have benefited from the stable supply of grain, they are facing many challenges in the coordination of regional interests. In 2024, the No. 1 document of the central government clearly proposes to "explore the establishment of an inter-provincial horizontal benefit compensation mechanism for grain production and marketing areas, and deepen multi-channel production and marketing cooperation". At the fifth meeting of the Central Committee for Comprehensively Deepening Reform, General Secretary Xi Jinping once again emphasized

that "substantial steps should be taken in establishing an inter-provincial horizontal interest compensation mechanism, and promote the implementation of the common responsibility of ensuring food security in the main grain producing areas, main sales areas, and production and marketing balance areas." Therefore, it is of great strategic significance to deepen the research on horizontal interest compensation in grain production and marketing areas to realize the "incentive compatibility" of policies.

Through a series of system design, the inter-provincial horizontal interest compensation mechanism in grain production and marketing areas promotes the main sales areas with the province as the administrative unit to compensate the main producing areas with human, financial, material, technical and other resources as compensation materials in accordance with the agreed standards, so that the grain production in the main producing areas can be reasonably compensated and the economic and social development between the production and marketing areas will be more balanced. The key to the design of the mechanism is to combine the basic stock and the market mechanism to ensure the balance of grain production and marketing and dynamic adjustment between provinces. When establishing the inter-provincial horizontal interest compensation mechanism in grain production and marketing areas, it is necessary to properly handle the synergistic relationship between the inter-provincial horizontal interest compensation and the supporting policies such as the same responsibility of the party and government for food security, the "cultivated land red line", and the vertical interest compensation mechanism, so as to ensure that the policy superposition effect of "1+1>2" is achieved.

## **2. The Intrinsic Requirements for Inter-Provincial Horizontal Interest Compensation in Grain Production and Marketing Areas**

### **2.1. National Food Security**

Food is the greatest thing in the country and the most basic guarantee for people's survival. Agriculture is the basic industry of the national economy, and grain production occupies an important position in it. Stable grain production and supply are of great significance to ensuring national food security, promoting rural economic development, and increasing peasant incomes. Xi Jinping summed up from the experience of developed countries that "the reason why these countries are strong is linked to their strong food production capacity. Therefore, food security cannot only be viewed from the economic point of view, but must be viewed from the political point of view, and ensuring national food security is an important foundation for achieving economic development, social stability, and national security."

### **2.2. A New Pattern of Regional Development**

With the development of globalization and informatization, the traditional regional development model has been difficult to adapt to the requirements of the new era, since the reform and opening up, the state allows some people and regions to get rich first, drive most of the region, and then achieve common prosperity. However, the traditional grain production is not only low in efficiency, but also low in profits, some economically developed provinces in the provinces with relatively weak economic development but high grain output to purchase traditional grain, and bring it into their own province processing plants to further optimize it, in this way, low income and high price sold, developed provinces continue to develop economically, the income level of the main grain producing areas is still very low, and the problem of unbalanced regional development is further deepened. In a sense, the secondary and tertiary industries in the main grain sales areas are relatively developed, and there are enough funds, science and technology, and talents to design exquisite packaging and delicious and healthy food, but the main grain producing areas have given up the opportunity to develop

the secondary and tertiary industries to produce grain with lower profits, and the main grain sales areas should build relevant processing plants in the main grain producing areas to make local grain into distinctive agricultural products. At the same time, it is necessary to take into account the relevant factors such as grain production, circulation, and consumption in the main producing areas and main sales areas, and the main grain sales areas can provide infrastructure such as production bases and storage facilities for the main grain producing areas, as well as the support of talents and scientific and technological services, promote the integrated development of industries in the production and marketing areas, change the "supply and demand cooperation" to "supply chain cooperation", and explore multiple compensation methods from the perspective of complementary advantages, and promote horizontal interest compensation with funds as the carrier.

### **2.3. Coordinated Development of Grain Production and Marketing Areas**

China's long-term pattern of "large grain counties, financially poor counties" and "large grain provinces and economically weak provinces" has not changed, and promoting regional coordinated development and achieving common prosperity has always been an important link in realizing the great rejuvenation of the Chinese nation. As China's grain production areas become more and more concentrated, the regional grain supply imbalance between the main producing areas and the main sales areas has become increasingly prominent. Deepening cooperation in production and marketing can promote the orderly connection and smooth circulation of grain production and consumption, stabilize the grain production capacity of the main producing areas, promote the increase of grain farmers' income, and also provide a stable and reliable supply of grain sources in the main marketing areas, so as to improve the country's comprehensive food security guarantee capacity. The establishment of an inter-provincial horizontal interest compensation mechanism and economic compensation for the main producing areas is conducive to encouraging the main producing areas to focus on agriculture and grasping grain, building a food security pattern in which jobs are served together and responsibilities are shouldered together, and regional economic and social coordinated development is promoted.

### **2.4. Compensation for the Interests of the Main Grain-producing Areas**

In terms of compensation for the interests of the main grain-producing areas, at present, China's compensation for the interests of the main grain-producing areas is still a vertical, top-down subsidy for the capital, technology, and other aspects of the major grain-producing counties, but the effect is not significant; in the future, when adopting the mechanism of vertical compensation for the interests of the main grain-producing areas by the central government, we should properly arrange the budget for the direct subsidy of grain in the main grain-producing areas, increase the intensity of vertical transfer, increase the balanced transfer payments to the main grain-producing areas, and reward funds for the major grain-producing counties, so as to increase the financial revenue of the main grain-producing areas and enhance their comprehensive grain production capacity. In recent years, the central government has continuously increased the intensity of incentives and subsidies for large grain-producing counties, and the policies to support grain production have focused on the main producing areas. On the other hand, it is necessary to increase the horizontal compensation for the interests of the main grain sales areas to the main producing areas, and further tilt all kinds of grain support toward the main producing areas, and improve the horizontal compensation mechanism through such means as the establishment of a grain adjustment fund by the state to subsidize the peasants in the main producing areas, scientifically and rationally determine the adjustment coefficient and compensation standard of the compensation funds of the provinces that are net transferred, formulate and improve relevant policies and laws, and expand the scale of financial payment transfers. Encourage enterprises and capital in the main sales areas to

invest and build factories in the main producing areas, develop grain deep processing, food processing and other industries, extend the grain industry chain, increase the added value of grain, and promote the economic development of the main producing areas. At the same time, strengthen the cooperation and exchanges between the main producing areas and the main sales areas in agricultural science and technology, personnel training, etc. Construct and optimize the vertical and horizontal two-way benefit compensation coordination mechanism, which can realize dual-track parallelism, vertical and horizontal effect superposition, improve the overall benefit, and achieve a win-win situation.

### **3. Multi-dimensional Cooperation Methods in Grain Production and Marketing Areas**

Cooperation between grain production and marketing areas can make full use of the economic development advantages of the main grain producing areas, thereby arousing the subjective initiative of the main grain producing areas and enhancing the enthusiasm of the main grain producing areas in "grasping grain by cadres and growing grain in the name of farmers." The main grain sales areas can compensate the interests of the main grain producing areas from the following aspects.

#### **3.1. Financial Compensation**

In accordance with the principle of "who benefits, who compensates", according to the main sales area from the main production area of the amount of grain transferred from the main production area and other factors, the total scale of compensation funds should be reasonably estimated, and the main sales area should pay the corresponding compensation funds to the main production area. This can directly make up for the economic losses that the main producing areas may face due to grain planting, and improve the enthusiasm of the main producing areas for growing grain. For example, the main sales areas such as Beijing, Shanghai, and Zhejiang can determine the amount of compensation and pay it to the main producing areas according to the amount of grain transferred from the main producing areas such as Henan and Anhui each year, as well as the cost and resource consumption involved in grain production. Enterprises and capital in the main sales areas can invest in the construction of factories in the main producing areas to develop the grain deep processing industry. By extending the grain industry chain and increasing the added value of grain, we can not only create more employment opportunities and economic growth points for the main producing areas, but also allow the main producing areas to benefit from the value-added of grain processing. For example, food processing enterprises in the main sales areas can establish grain processing bases in the main producing areas to process local raw grains into various types of food and improve the economic benefits of grain.

#### **3.2. Technology and Talent Compensation**

The main sales area has advantages in the research and development and application of agricultural science and technology, and can cooperate with the main production area. Jointly establish agricultural scientific research institutions and laboratories to carry out research on seed cultivation, planting technology, and pest control. It is also necessary to popularize and apply advanced agricultural scientific and technological achievements in the main producing areas to improve the efficiency and quality of grain production in the main producing areas. The agricultural research team in the main sales area cooperates with the agricultural extension department in the main production area to promote new planting techniques, such as precision agriculture technology, water-saving irrigation technology, etc. The main grain sales area can train agricultural professionals for the main producing areas, including agricultural technical personnel, management personnel, etc. The quality and ability of

agricultural personnel in the main producing areas can be improved by holding training courses, lectures, academic exchanges, and other forms. At the same time, encourage the talents in the main sales area to take up temporary posts and guidance in the main production areas to promote the agricultural development of the main production areas.

### 3.3. Public Goods and Services

At present, there are a series of problems in the total supply of public goods and services in rural areas of China, such as insufficient total supply, low supply efficiency, imbalance in supply structure, lack of fair supply, and single supply subject, which require more investment in medical care, education, infrastructure and other fields. In terms of medical treatment, the main sales area can fund the construction of hospitals, health centers, health centers and other medical facilities at all levels in the main production area, improve the medical hardware conditions in the main production area, and donate urgently needed medical equipment and common drugs to the medical institutions in the main production area to improve their medical service capacity. In terms of education, we have invested in the construction of new schools or the renovation and upgrading of existing schools in the main production areas, including the construction of teaching buildings, laboratories, libraries and other infrastructure to improve the teaching environment. In terms of infrastructure, we will invest in the construction of railways, highways and other transportation arteries connecting the main producing areas and the main sales areas, improve the transportation conditions of the main producing areas, reduce logistics costs, and promote inter-regional trade and economic exchanges, which will also be conducive to grain transportation.

### 3.4. Industrial Development and Employment

The profit of a single grain production is small, and the main grain sales areas can combine the resource endowment and advantages of the main producing areas to help them develop characteristic agricultural industries and increase investment in organic agricultural products, green agricultural products, and rural tourism. It is conducive to broadening the channels for farmers to increase their incomes in the main producing areas and promoting the diversified development of the local economy. The development of these industries can create more jobs in the main producing areas, attract the return of labor, and promote the development of local economy and social stability. Diversified compensation methods have improved the enthusiasm of farmers to grow grain, which is conducive to the sustainable development of agriculture.

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