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## China - Peoples Republic of

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### Grain Law (draft for public comments)

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#### Report Highlights:

On February 2012, the Government of China (GOC) issued the Grain Law (currently a draft) and an explanatory notice for the legislation. According to the explanatory notice, safeguarding national grain security is the fundamental purpose of the Grain Law. The draft law applies to grains, edible vegetable oil, and oilseeds, as well as the production, distribution, and consumption of these commodities. It also defines the roles and responsibilities for different administrative departments in managing grain production, processing, trade, reserves, and market information dissemination. For some of these areas, the law does not provide any details on implementation, which may be formulated later by other relevant government agencies.

**Executive Summary:**

On February 2012, the Government of China (GOC) issued the Grain Law (currently a draft) and an explanatory notice for the legislation. According to the explanatory notice, safeguarding national grain security is the fundamental purpose of the Grain Law. In order to safeguard national grain security, the law states that the GOC will maintain stable grain production and domestic grain supplies, as well as strengthen regulation and supervision over grain distribution and ensure market stability. The government will also promote the rational utilization and conservation of grains and other commodities.

The draft law applies to grains, edible vegetable oil, and oilseeds, as well as the production, distribution, and consumption of these commodities. It also defines the roles and responsibilities for different administrative departments in managing grain production, processing, trade, reserves, and market information. For some of these areas, the law does not provide any details on implementation, which may be formulated later by other relevant government agencies.

The Chinese government is currently soliciting comments, which are due on March 31, 2012. No implementation date is specified in the current draft.

This unofficial translation has 2 parts:

**Part 1:** The unofficial translation of the Notice on Soliciting Public Opinions on the Grain Law (Draft for Opinions) by the Legislative Affairs Office of the State Council

**Part 2:** The unofficial translation of the draft Grain Law (10 chapters listed below)

**Chapter 1 General Provisions**

**Chapter 2 Grain Production**

**Chapter 3 Grain Distribution and Processing**

**Chapter 4 Grain Consumption and Conservation**

**Chapter 5 Grain Quality Safety**

**Chapter 6 Grain Macro Regulation and Reserve**

**Chapter 7 Support to and Development of the Grain Industry**

**Chapter 8 Supervision and Inspection**

**Chapter 9 Legal Liability**

**Chapter 10 Supplementary Provisions**

**Part 1**

**Unofficial Translation of the  
Notice on Soliciting Public Opinions on the Grain Law (Draft for Opinions) by the  
Legislative Affairs Office of the State Council**

Grain Law (Draft for Opinions) (hereinafter referred to as the Draft for Opinions) was drafted by the National Development and Reform Commission, the State Administration of Grain, and relevant departments based on relevant investigation and research in a bid to promote grain production, safeguard the order of grain distribution and national grain security. With a view to soliciting broad public comments and improve the quality of legislation, the Draft for Opinions and its explanation is now made public for public opinions. Any comments or suggestions can be submitted before March 31, 2012 in one of the following ways:

1. Log onto the website of the Legislative Affairs Office of the State Council (<http://www.chinalaw.gov.cn>) and make comments or suggestions on the Draft through *Opinion Seeking System for Drafts of Laws and Regulations*.
2. Mail your opinions and suggestions to mailbox No. 2067, Beijing, China (Postal Code: 100035) and mark your envelope with 'Opinions on Grain Law'.
3. Send your opinions and suggestions to [lsf@chinalaw.gov.cn](mailto:lsf@chinalaw.gov.cn)

February 21, 2012

**Explanation on the Grain Law (Draft for Opinions)**

**I. Legislation purposes and scope of application**

Grain is a special commodity and material of strategic importance crucial to national economy and people's livelihood. The Draft for Opinions makes it very clear that safeguarding national grain security is the fundamental purpose of the legislation of the grain law.

To achieve national grain security, we should not only maintain stable grain production and ensure domestic grain supply from sources, but we should also strengthen our regulation and supervision on grain distribution, maintain market stability and safeguard market order. Rational utilization and conservation of grain should also be advocated at the consumption end. Hence the Draft for Opinions provides that this act applies to grain production, distribution, and consumption in China. In line with the definition of grain stipulated in the Regulations on Grain Distribution and Medium to Long-term Planning for National Grain Security, the Draft for Opinions stipulates that grain refers to cereals and their finished grain, beans and tubers. Given that edible vegetable oil is an important life necessity for rural and urban residents and that the state has rendered similar support to the production and distribution of rapeseed oil, sunflower seed oil etc. to cereals, the Draft for Opinions provides that this act also applies to the production, distribution, and consumption of edible vegetable oil and oil seeds. Besides, in view of both the similarities and differences between tubers and cereals and in light of realities, the Draft for Opinions stipulates this act also applies to all activities in the production, distribution, and consumption of tubers except for the provisions of purchase certificates and storage filing.

## II. Major legislations

### (1) Market-oriented allocation of grain resources

In order to meet the need of establishing and improving socialist market economy, consolidate the results of market-oriented reform of grain distribution system and ensure the fundamental role of market mechanism in the allocation of grain resources, the Draft for Opinions stipulates that the state adopts a market-oriented management system under macro regulation for the production, distribution, and consumption of grain. Grain purchase, storage, processing, transport, wholesale, retail and etc. is open to the public. All market players shall perform the same obligations, make their own decisions, and take full responsibilities for their profits and losses as well as self-development. Relevant associations in the grain industry should strengthen self-discipline and improve service in a bid to maintain order in the grain market.

### (2) Safeguarding grain production

To maintain stable grain production and improve the comprehensive grain production capacity is fundamental to safeguarding national grain security. In accordance with the Agriculture Law, the Water Law, the Law on the Promotion of Agricultural Mechanization, Law on Land Management, Regulation on the Protection of Basic Farmland etc. as well as policy measures adopted by the Central Committee of the CPC and the State Council for the promotion of grain production, the Draft for Opinions stipulates on safeguarding grain production from the perspective of bringing the initiative of various localities and farmers into play. Specific measures include planning for grain production capacity building, protection of land and water resources, the construction of farmland and water conservation infrastructure, development of the seed industry, supervision on production environment, capacity building in disaster prevention and relief, technology innovation, safety of agricultural materials, more support to major grain production areas and counties, subsidy and award for grain production, price support systems etc. All these measures shall lay a solid foundation for national grain security.

### (III) Safeguarding grain distribution

Connected with grain production on one end and with grain consumption on the other, grain distribution is crucial to realizing optimal allocation of grain resources and safeguarding national grain security. In order to ensure effective grain supply and orderly distribution, the Draft for Opinions makes the following provisions: firstly, grain purchase and processing shall follow a certificate system. Applicant for grain purchase and processing should meet certain conditions and obtain administrative license accordingly. Secondly, grain storage shall follow a system of filing. Operators involved in grain storage should report to local grain administrative department for filing. Thirdly, infrastructure for grain distribution shall be protected. Being an important platform for the orderly and smooth distribution of grain and national macro regulation, construction of infrastructure for grain distribution should comply with construction standards and technological specifications for grain engineering. Grain storage, logistics and market facilities constructed with public fund should not be disposed or changed into other usage randomly without the approval from the national or provincial grain administration department. Fourthly, grain operators shall comply with relevant rules and regulations.

### (IV) Safeguarding grain quality safety

Being an important raw material for food processing, grain is closely related to food security and the health of the public. In a bid to protect life safety and health of consumers, it is a must for us to strengthen quality safety (including hygiene) supervision in grain production, purchase, storage, processing, transportation, packing and export & import. The Draft for Opinions makes provisions on improving grain quality safety standards, quality and safety management in grain production, purchase, storage, processing, transport, marketing and export & import as well as grain inspection. In addition, provisions on grain quality safety inspection, random examination and intervention grain purchase and treatment measures are also added.

#### (V) Grain regulation and reserve

In market economy, to ensure grain supply and maintain price basically stable, it is crucial for us to strengthen and improve the macro regulation. By drawing experience from the implementation of the Regulation on Grain Distribution and the Regulation on Central Grain Reserve, in light of practices in grain macro regulation recently, the Draft for Opinions stipulates on the ways and measures of grain macro regulation, including market monitoring warning, information release, export & import adjustment, cooperation between major grain production and consumption areas, price intervention, protective purchase & reserve, restrictive purchase, reserve stock and release, reserve system improvement, supervision system, operation of policy grain, the minimal and maximal reserve levels for grain operators, security review for setting up new grain enterprises or acquiring grain enterprises, unfair completion, investigation and disposal of monopoly, grain emergency plan, transport support and ensuring the grain supply for special groups of people.

#### (VI) Support to and development of the grain industry

The grain industry in China is still weak, which necessitates more support and protection in order to promote the coordinated development of grain production and distribution and consolidate the industrial basis for national grain security. The Draft for Opinions stipulates on various supporting measures for the development of the grain industry, including government input, risk fund for the grain industry, tax, financial and insurance support, promotion of organized, industrialized, and socialized grain production and distribution etc.

#### (VII) The responsibility for grain security

Explicitly defining the responsibility of the people's governments at various levels and their relevant departments is a crucial safeguard for implementing the Grain Law and ensuring grain security. For this reason, the Draft for Opinions stipulates that an administrative head accountability system at the provincial level shall be implemented for grain security under the macro state regulation. Specific provisions on the responsibility of relevant departments of the State Council and the provincial government have been made. In a bid to ensure the earnest fulfillment of responsibility for grain security by governments at various levels, the Draft for Opinions provides that the State shall adopt an accountability system for grain security with specific regulations to be formulated by the State Council. The people's government at the higher level shall supervise the performance of the governments at the lower level in terms of farmland and water resource protection, grain production, implementation of grain reserve system, grain emergency handling, safeguard of grain supply, grain quality safety, supervision on the grain market etc. and incorporate it into the performance assessment system for local governments.

#### (VIII) Supervision, inspection and accountability

In order to ensure the earnest implementation of relevant provisions of the Draft for Opinions, the 8th Chapter and 9th Chapter stipulates on supervision & inspection system and accountability system, making specific provisions on the responsibility of supervision & inspection by relevant department as well as legal liabilities for irregularities and violations concerned.

## **Part 2**

### **Unofficial Translation of the**

# **The Grain Law (Draft for Comments)**

## **Chapter I General Provisions**

**Article 1** This law is formulated for the purpose of promoting grain production, safeguarding the order of grain distribution, ensuring the effective supply of grain, maintaining sustainable development of the grain industry and safeguarding the national grain security.

**Article 2** This law applies to grain production, distribution and consumption within the People's Republic of China.

In this law, grain refers to cereals and their finished products, beans and root crops. Grain distribution refers to the whole process of grain transfer from production into consumption, including purchasing, storage, transport, processing, wholesaling, retailing and related export and import etc.

**Article 3** Being a special commodity to national economy and people's livelihood, the state adheres to the basic principle of achieving self-sufficiency domestically. The state implements a market-oriented management system for grain production, distribution and consumption under the macro regulation in a view to maintaining basic supply-demand balance and stable price of grain across the country.

**Article 4** The state shall establish a safeguard system for grain security, featuring stable supply, sufficient reserve, effective regulation, efficient running and high quality.

**Article 5** An administrative head accountability system at the provincial level shall be implemented for grain security under the macro state regulation.

The provincial government shall be responsible for grain production, distribution, reserve and market regulation within its jurisdiction, ensuring sufficient grain supply in the market, maintaining order in the grain market and safeguarding grain quality safety.

The state shall implement performance accountability system for grain security. Specific regulation in this regard shall be formulated by the State Council.

**Article 6** The reform and development department of the State Council is responsible for the overall supply-demand balance and macro regulation across the country, compiling medium to long-term planning for national grain security, studying on and putting forward policy proposals for grain production, distribution and consumption, formulating planning on the aggregate of grain export & import and implement it.

The state grain administration department is responsible for putting forward proposals for national grain macro regulation, aggregate supply-demand balance, medium to long-term planning for grain distribution and the development of modern grain distribution industry. It is also responsible for industrial management and guidance in grain distribution, organizing and implementing policy measures in grain distribution. It shall shoulder the daily work of national macro regulation in grain distribution, the administration of central grain reserve, statistics of grain distribution, monitoring, warning and emergency handling.

The agricultural administration department of the State Council is responsible for guiding grain production, organizing and implementing policy measure for the promotion of grain production, boosting the comprehensive grain production capacity and improving the level of grain production.

Other departments of the State Council should carry out their work related to grain security in accordance with their scope of responsibility.

**Article 7** Local grain administration departments above the county level shall be responsible for industrial management and guidance in grain distribution within their jurisdiction. They shall be responsible for managing local grain reserve, implementing grain monitoring, warning and emergency handling, ensuring grain supply and maintaining market order.

**Article 8** Relevant associations in the grain industry should strengthen self-discipline and improve service in a bid to maintain order in the grain market.

## **Chapter II Grain Production**

**Article 9** The State shall enhance its overall planning for capacity building in grain production. Stable grain production bases shall be constructed. Under the precondition of

ecological protection, grain production area with rich resources and potential of yield increase shall be developed.

Local governments above the county level should arrange grain production in light of local ecology, water resources, agricultural and climate conditions as well as national planning.

**Article 10** The state shall implement the most stringent arable land protection system and water resource management system, establish and improve the accountability system for arable land and water resource protection.

The people's governments at various levels should adopt measures such as setting up the fund system for the protection of basis farming land and arable land protection & compensation system etc in a bid to maintain the arable land reserve and basis farming land area determined by the state and maintain the grain growing area. Water resource protection and management should be strengthened. The water-conserving agriculture should be developed. Adequate water resources for grain production should be ensured with the utilization efficiency improved.

**Article 11** The people's governments at various levels should boost infrastructure construction for farming land and water conservation etc. Medium and low-yield farming land shall be reformed. High-standard farming land which can harvest in both drought and water-logging years shall be constructed in a bid to improve the condition of grain production.

**Article 12** The state shall protect the germplasm resources for grain crops, support the selection, production, renewal and expanded use of high-quality seed.

The scientific research, experiment, production, marketing and export & import of genetically modified grain seeds should comply with relevant state regulations. No institution or individual should apply genetically modified technology to major grain crops without permission.

**Article 13** Relevant departments of the people's government above the county level should strengthen their monitoring on air, soil and irrigation water quality in grain production areas.

Institution or individual causing pollution to grain production environment should take immediate measure to restore the environment.

**Article 14** The state shall speed up efforts in building disaster prevention and relief system for grain production including flood prevention, drought relief, prevention of hazardous organism, disease and insect pests, prevention of agriculturally meteorological disasters.

**Article 15** The state encourages and supports the research on, innovation, protection and application of grain production technology in order to improve per-unit yield and quality of grain production.

**Article 16** The state encourages and supports the research on, production and usage of safe, efficient, environmental-friendly and cost-effective insecticide, fertilizer, agricultural film and advanced, energy-conserving and suitable agriculture machine.

**Article 17** The state shall establish supporting system for grain production, rendering more support in terms of capital input, relevant policies and development planning etc. Priority shall be given to grain production in major grain production regions and counties in order to improve local social and economic development.

Major grain production regions and counties should actively develop grain production and maintain a certain rate of grain exportation to other regions. Regions which can achieve self sufficiency and major grain consumption regions should stabilize and improve their self- sufficiency rate in grain production.

**Article 18** The state shall establish and improve subsidy and award system for grain production and the price support system for major regions and major grain crops.

Farmers specialized in grain production should be supported in order to protect the enthusiasm of grain producers.

The state shall guide and encourage grain production at an appropriate level.

### **Chapter III Grain Distribution and Processing**

**Article 19** The state shall nurture and develop a unified and open grain distribution

system featuring orderly competition. Regional blocking in grain distribution is strictly prohibited. The state shall establish a nationally unified grain bidding and trading system, strengthen the construction of grain purchase, wholesale and retail market, regulate and develop grain futures trading.

**Article 20** Operators involved in grain purchase except for the root crops should get registered with the industry and commerce administration departments after obtaining the approval from the grain administration departments subject to the following conditions:

1. with necessary capital for operation;
2. with necessary grain storage facilities;
3. with relevant capacity in grain quality inspection and storage;
4. with good record in operation and management, without record of illegal operation activities.

The state shall implement annual review system for grain purchase qualification.

**Article 21** Operator involved in grain purchase should follow the state policies on grain purchase, quality and safety standards and the voucher system for grain purchase, without causing prejudice to the legitimate interests of grain producers and national interest.

The voucher system for grain purchase shall be formulated by the state grain administration department in concerted efforts with other relevant departments.

**Article 22** Operator involved in grain storage should get registered with local grain administration department subject to the following conditions:

1. with fixed location for operation;
2. with necessary facilities and equipment suitable for the storage activities;
3. with qualified technicians for grain inspection and storage;

The above provision does not apply to roots crops and the grain storage by grain producers for the purpose of own use or selling.

**Article 23** Operators involved in grain storage should follow the state grain storage standards and technological specifications in order to ensure the quality and safety of

stored grain.

**Article 24** The state shall guide the rational processing of grain and the comprehensive utilization of sideline products. Yielding rate and resource efficiency should be improved in grain processing. On the basis of ensuring basic food supply, and feed and seed supply, food processing with grain as the raw material shall be duly developed.

For new and expanded grain in-depth processing projects with corn, wheat and paddy rice as the raw material, the State shall adopt a system of approval. In line with the need of macro regulation, the state can restrict the scale of grain usage by the grain in-depth processing industry.

**Article 25** Operators involved in grain processing should obtain production approval from the quality and inspection departments in accordance with laws. Before issuing the production approval, the quality and inspection department should obtain the consent from the grain administration departments at the same level.

The grain administration department should conduct grain security assessment in terms of industrial layout, raw material supply, processing scale and rational utilization of grain resources etc.

**Article 26** Operator involved in grain processing should not conduct the following activities:

1. processing with moldy and decayed grain;
2. processing grain with excessive pesticide residue, fungus toxin, heavy metals and other pollutants;
3. usage of additives against regulations;
4. other activities affecting grain quality.

**Article 27** Operators involved in grain purchase, wholesale and retail should not conduct the following activities:

1. fabricating and spreading false information to disturb the market order;
2. acting in cahoots with each other and manipulate the market price;

3. maliciously hoarding and driving up the market price;
4. raising or decreasing the price by raising or decreasing the grain grades in disguise;
5. short weight, dilution and selling seconds at best quality prices;
6. monopolizing the market or unfair competition;
7. other activities against state regulations.

**Article 28** Transport vehicles and packing material for grain should meet national standards and technological specifications. It is prohibited to use contaminated transport vehicle or packing material to transport and pack grain.

**Article 29** The state adopts a quota management for grain export and import. Specific regulation in this regard shall be formulated by the reform and development department of the State Council in collaboration with relevant departments.

**Article 30** The people's governments at various levels should strengthen infrastructure planning in grain distribution, rationally plan and scientifically manage grain storage, logistics and market facilities. Construction of grain distribution facilities should meet grain engineering standards and technological specifications.

Grain storage, logistics and market facilities constructed with public fund should not be disposed or changed into other usage randomly without the approval from the national or provincial grain administration department.

**Article 31** Operators involved in grain purchase, storage, processing and sale, and feed and industrial grain users should establish their ledger for grain operation and report true and complete information and data to local grain administration department accordingly.

## **Chapter IV Grain Consumption and Conservation**

**Article 32** The state advocates grain conservation and encourages the publicity of and public opinion supervision on grain conservation, scientific use of grain and healthy consumption in a bid to raise the awareness of the public in cherishing and conserving grain.

**Article 33** The state encourages and supports basic research and application research related to grain conservation, promotes the usage of new technology, new technique and

new equipment, eliminates outdated production capacity and reduces grain losses.

**Article 34** Grain producers and operators should strengthen management and conserve grain in the process of grain harvesting, purchase, storage, processing, transport and marketing.

## **Chapter V Grain Quality Safety**

**Article 35** The state shall establish and improve standards and technological specification for grain quality safety.

Grain producers and operators should engage themselves in grain production and operation in accordance with laws, regulations and the standards and technological specifications for grain quality safety.

**Article 36** The state adopts a inspection system for grain quality and shall standardize the activities such as inspection, recording, issuing certificate and demanding certificate in grain production, purchase, storage, processing, transport, marketing and export & import. A tracking system for grain quality shall be established and improved.

**Article 37** Grain producers should use fertilizers, pesticides, agricultural films and other products in a scientific and rational way in a bid to prevent contamination to grain farmland.

Grain producer shall be encouraged and supported to improve the harvesting, drying and storage conditions for grain in a bid to ensure fine grain quality after harvesting.

It is strictly prohibited to discharge or dump hazardous and noxious waste water, waster air, solid waste etc. to grain production areas.

**Article 38** Grain operators should conduct grain quality inspection and keep relevant records.

**Article 39** Relevant departments of the State Council should establish supervision and random checking systems for grain quality safety in line with their duties and implement them.

Upon finding of any grain contamination incidents, the institution and individual should report to relevant local department immediately.

**Article 40** Upon finding of any regional grain contamination incidents, local governments at various levels should enhance their supervision on contaminated grain and may adopt compulsory inspection, warning announcement, intervention purchase, classified storage, directional disposal and other measures.

Regulations on intervention purchase and disposal of contaminated grain shall be formulated by relevant department of the State Council.

## **Chapter VI Grain Macro Regulation and Reserve**

**Article 41** The state adopts a unified survey statistics, monitoring warning and information release system on grain production, distribution and consumption as well as the supply-demand balance.

**Article 42** In line with domestic grain supply and demand as well as the need of macro regulation, the state shall adjust domestic grain abundance and shortage through grain export and import.

**Article 43** The state shall establish an interest compensation mechanism for major grain production areas. Major grain production areas and major grain consumption areas shall be supported and encouraged to establish a stable cooperation on grain marketing.

**Article 44** In case of dramatic changes or possible dramatic changes of grain price, the State shall adopt measures like price intervention, protective purchase & reserve, restrictive purchase, reserve stock and release in order to keep market price on the grains remain basically stable..

**Article 45** The state implements a grain reserve system at the central and local levels.

Grain reserve shall be mainly used to cope with major natural disasters, other emergencies and to regulate the supply-demand balance of grain for the sake of ensuring market supply and keeping the grain price basically stable. Central and local grain reserve should be kept at a rational scale and complements with each other in terms of functions, varieties and geographic distribution.

Regulations on grain reserve shall be formulated by the State Council.

**Article 46** The reserve scale, variety and general layout of central grain reserve shall be proposed by the reform and development department and the state grain administration department in collaboration with relevant departments and submitted to the State Council for approval. The purchase and marketing plans for central grain reserve shall be proposed by the state grain administration department and circulated after being approved by the reform and development department and the finance department of the State Council.

Without the approval of the State Council, no institution or individual shall use the central grain reserve randomly.

**Article 47** The state grain administration department shall conduct supervision and inspection on the quantity, quality and storage security of central grain reserve. In light of central grain reserve supervision need, vertical supervision agencies can be established or the local grain administration departments can be entrusted to carry out supervision and inspection on central grain reserve within their jurisdiction. Local governments at various levels and relevant department should render support and assistance in line with relevant state provisions.

**Article 48** The standards and scale for local grain reserve shall be made by the State Council. Specific quantity, variety and geographic layout shall be determined by the provincial government.

A certain ratio of finished grain products shall be ensured in local grain reserve.

**Article 49** The state implements a qualification certification system for enterprises engaged in grain reserves. Undertaking enterprises should obtain the qualification certificate in the first place.

Undertaking enterprises should manage grain reserve in accordance with relevant state regulations. Grain reserve should not be used for commercial operation. No activities breaching national grain policies and regulation should be conducted.

**Article 50** The purchase and marketing of policy grain, and rotation of grain reserves should be conducted publicly in line with state regulations.

**Article 51** when involving in the purchase, storage, processing and marketing of policy grain, grain operators should not arbitrage price differences and fiscal subsidy illegally or obstruct and delay the grain leaving the storehouse.

**Article 52** The state shall establish a minimal and maximal reserve level system for grain operator.

Grain operators involved in grain purchase, processing and marketing should perform its obligation of maintaining reserve at above minimal level in case of excessive supply of grain or price slump in the market and perform its obligation of maintaining reserve at below maximal level in case of shortage of grain or price soaring in the market.

**Article 53** Newly-established enterprises or M&A of domestic enterprises involved in grain production and operation shall be reviewed in accordance with relevant state regulations in case of it affects state grain security.

**Article 54** Relevant departments of the people's government above the county level should deal with unfair competition and monopoly activity in the grain industry in accordance with laws in order to protect fair competition in the market and safeguard the legitimate rights of grain producers, operator and consumers as well as social public interest.

**Article 55** The state shall establish grain emergency management system featuring unified leadership, different category of responsibility and localized management. The people's governments above the county level should formulate grain emergency planning and shall be responsible for its implementation.

**Article 56** After the initiation of grain emergency planning, institution and individual concerned should follow the arrangement and deployment of the grain emergency planning.

In case of any losses to institution or individual concerned arising out of grain emergency arrangement or deployment, the people's governments above the county level should compensate to a rational extent.

**Article 57** The people's governments at various levels should strengthen efforts in

constructing grain storage facilities, logistics, emergency processing facilities and supply outlets.

**Article 58** Enterprises involved in transport should give priority to grain transport for emergency, reserve and marketing cooperation between major grain production and consumption areas.

**Article 59** The state shall safeguard the basic grain need of the poor as well as grain supply to ethnic minority areas.

## **Chapter VII Support to and Development of the Grain Industry**

**Article 60** The people's governments at various levels should gradually increase their input into grain production and distribution industry so as to promote the stable development of the grain industry.

**Article 61** The state adopts a grain risk fund system. In light of national fiscal conditions and the need of macro regulation, the scale and purpose of this risk fund shall be determined at a rational level in order to support grain production and distribution and maintain stability in the grain market.

The grain risk fund should be used for its specific purposes.

**Article 62** The state shall implement preferential tax policies in a bid to promote the development of the grain industry. Eligible grain operators shall be entitled to preferential taxation treatments in accordance with laws.

**Article 63** The states guides and supports various financial institution in providing eligible grain producers and operators with credit, capital and other financial services. Policy banks, in line with relevant state regulations, should ensure the supply of sufficient credit and capital needed for grain purchase and operation activities.

**Article 64** The state shall establish and improve the insurance system for grain production and render support to the development of grain production insurance.

**Article 65** The people's governments at various levels should nurture and foster the development of specialized cooperative organizations in grain production and distribution. Industrialized operation should be encouraged and supported. Support shall be rendered

to social services such as the promotion of grain technology, quality inspection and etc.

**Article 66** The state shall increase its input into technology in the grain industry. Efforts shall be speeded up in fundamental and non-profit researches in the field of grain.

Development and expansion of practical grain technology should be encouraged and supported.

**Article 67** The state encourages and supports the development of modern grain logistics including bulk loading, bulk transport, bulk storage and bulk unloading. The usage of advanced technology and equipment shall be supported in order to improve the efficiency in grain logistics.

### **Chapter VIII Supervision and Inspection**

**Article 68** Grain production, operation and involved parties should accept supervision and inspection conducted in accordance with laws.

In line with their specific responsibility, relevant departments of the people's governments at various levels shall conduct supervision and inspection on grain production and operation in accordance with laws.

The state shall establish a coordination mechanism for grain supervision and inspection.

**Article 69** The grain administration departments shall supervise and inspect the following items in accordance with this law and relevant laws and regulations:

1. grain purchase, storage and transport;
2. the purchase, storage, transport and marketing of policy-oriented grain;
3. the implementation of statistics system for national grain distribution;
4. quality safety in grain purchase, storage, transport and marketing of raw grain from the warehouse.

**Article 70** The state shall establish a grain stock checking system. Checking on grain stock shall be conducted by the grain administration departments in collaboration with relevant departments.

**Article 71** In line with relevant laws and regulations, the industry and commerce administration departments shall supervise and inspect activities which disturb the

market order in grain marketing as well as quality safety in finished grain product for wholesale and retail.

**Article 72** In line with relevant laws and regulations, the quality and supervision departments shall conduct supervision and inspection on quality safety in grain processing and export-import.

**Article 73** In line with relevant laws and regulations, the competent pricing authority shall conduct supervision and inspection on price irregularities in grain distribution.

**Article 74** In line with their responsibilities, other departments of the State Council shall conduct supervision and inspection on grain production, distribution and consumption respectively.

**Article 75** The grain, industry & commerce, quality inspection and pricing departments of the people's governments above the county level can adopt the following measures during supervision and inspection:

1. on-site inspection;
2. checking and duplicating relevant material and voucher;
3. enquiry on institution and individual concerned for relevant information;
4. seizing and impounding grain which does not meet grain quality safety security standards, additives illegally used, equipment used for illegal production and operation as well as contaminated equipment;
5. sealing off places involved in illegal grain operation.

**Article 76** The people's government at the higher level shall supervise the performance of the governments at the lower level in terms of farmland and water resource protection, grain production, implementation of grain reserve system, grain emergency handling, safeguard of grain supply, grain quality safety, supervision on the grain market etc. and incorporate it into the performance assessment system for local governments.

**Article 77** All institutions and individuals have the right to report activities breaching this law. Relevant departments should deal with the irregularities timely and hold the informer in anonymity.

## **Chapter IX Legal Liability**

**Article 78** Whoever violating this law or changing land usage or the usage of basic farmland without permission and contaminating grain production environment shall be punished by the agriculture, land and resources, environmental protection and water conservation departments in accordance with relevant laws and regulations.

**Article 79** Whoever engaged in grain purchase without approval shall be confiscated of grain illegally purchased by the grain administration departments. Under serious circumstances, a fine no less than 1 time but no more than 5 times of the value of the grain illegally purchased shall be meted out. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

Whoever engaged in grain processing without approval shall be punished by the quality and inspection departments in accordance with relevant laws and regulations.

**Article 80** Whoever obtaining grain purchase certificate in illegal ways such as deception and bribery shall be confiscated of ill-gotten gains by the grain administration departments. The grain purchase certificate can be revoked and business license can be cancelled by the industry and commerce administration department. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 81** For violation of paragraph 1 of article 21, paragraph 1 of article 22 and article 23, the grain administration department shall order the party concerned to redress the mistake, issue warning and mete out fines up to 1 million Yuan. Under serious circumstances, the grain purchase certificate can be suspended or revoked and the industry and commerce department can cancel the business license of the party concerned.

**Article 82** Whoever involved in grain in-depth processing with corn, wheat and paddy rice as the raw material without approval shall be ordered to redress the action by the approving agencies.

Grain in-depth processing enterprises violating national macro regulation policies or failing to follow the grain usage restriction shall be ordered by the grain administration departments to redress their actions and confiscated of their ill-gotten gains. Under serious circumstances, a fine of no less than 1 time but no more than 5 times of the value of the grain illegally used shall be meted out.

**Article 83** For violation against article 28 of this law, the grain administration department shall seal up the contaminated grain and supervise the disposal of these grains. Under serious circumstances, a fine up to 200,000 Yuan shall be meted out.

**Article 84** For violation against paragraph 2 of article 30 of this law, the national or provincial grain administration departments shall order restorative measures with time limit. Should restoration can't be achieved, re-construction in another place with time limit shall be ordered or an equivalent amount of re-construction cost shall be turned in with the ill-gotten gains confiscated. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 85** For Violation against article 31 of this law, the grain administration departments can order the party concerned to redress the action and issue warning. Under serious circumstances, a fine up to 200,000 Yuan shall be meted out. The grain purchase certificate can be suspended or revoked and the industry and commerce departments can cancel the business licenses.

**Article 86** For violation against paragraph 2 of article 12, article 26, article 27 and paragraph 1 and 3 of article 37 of this law, the agricultural, quality inspection, grain administration, industry and commerce administration, pricing, water conservation and environment protection departments can mete out punishments in accordance with relevant regulations.

**Article 87** For violation against article 38 of this law, the grain administration department can order the concerned party to redress the action and issue warning. Under serious circumstances, a fine up to 200,000 Yuan shall be meted out.

**Article 88** For violation against paragraph 2 of article 46 of this law and usage of central grain reserve without approval, the grain administration department shall confiscate the ill-gotten gains in accordance with laws and mete out fine of no less than 1 time but no more than 5 times of the value of the grain randomly used. The concerned party shall be disqualified for future central grain reserve storage business. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 89** For violation against paragraph 2 of article 49, the grain administration department shall order the party concerned to redress the action and issue warning.

Under serious circumstances, the ill-gotten gains shall be confiscated and a fine of no less than 1 time and no more than 5 times of the grain value shall be meted out. The concerned party shall be disqualified for grain reserve storage. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 90** For violation against article 50 of this law, the grain administration departments shall order the party concerned to redress the action and issue warning. Under serious circumstances, a fine up to 200,000 Yuan shall be meted out. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 91** For violation against paragraph 2 of article 52, the grain administration department shall order the party concerned to redress the action and issue warning. Under serious circumstances, a fine of no less than 1 time and no more than 5 times of the grain value short of the minimal reserve or excess of the maximal reserve shall be meted out. The grain purchase certificate shall be revoked and the industry and commerce departments shall cancel the business license.

**Article 92** Operators with their grain purchase certificate or grain reserve storage qualification revoked should not apply for such certificate or qualification within 3 years as of the day when the punishment is meted out.

**Article 93** In case of violation against state policies and relevant regulations by grain operators involved in the purchase, storage, processing, transport and marketing of policy-oriented grain, the grain administration department shall order the party concerned to redress the action and confiscate the ill-gotten gains. Under serious circumstances, a fine of no less than 1 time but no more than 5 times of the grain value shall be meted out. The party concerned shall be prohibited from policy-oriented grain operation for 3 consecutive years. With regard to arbitrage of price differences and fiscal subsidy, the finance departments shall confiscate the gains. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

**Article 94** In issuing administrative licenses and conducting supervision and inspection, should the government departments and its staff take or ask for bribery, play favoritism and commit irregularities, neglect duties or illegally intervene into the normal operation of grain operators, they shall be duly punished in accordance with laws. In case of criminal activities, the culprit shall be investigated for criminal responsibilities.

## **Chapter X Supplementary Provisions**

**Article 95** In this law, the following terms shall have the following meaning:

Raw grain refers to cereals, beans and root crops harvested without being ground.

Cereals refer to wheat, paddy rice, corn and other miscellaneous grains.

The root crops refer to sweet potato and potatoes.

Finished grain refers to rice, flour etc. produced by grinding the cereals.

Grain purchase refers to the activity of directly buying grain from grain producers for marketing, processing or as feed and industrial raw material.

Grain processing refers to the activity of turning raw grain into finish grain products by gridding.

Grain in-depth process refers to the activity of adopting chemical, physical and biological means to process the raw grain or primary finished grain products for the second or more times, resulting in changes in chemical feature, molecular structure and new products.

Grain operators refers to legal persons, individually-owned business and other economic organizations involved in grain purchase, marketing, storage, transport, processing and export & import.

Policy-oriented grain refers to grain of which the purchase, storage, processing and marketing shall be designated or entrusted to specific grain operators by the government with fiscal and financial policy support rendered.

Grain emergency refers to fierce volatility in the grain market such as panic buying, shortage of supply and soaring price in a wider areas triggered by major natural disasters or other reasons.

**Article 96** This law also applies to the production, distribution and consumption of edible vegetable oil and oil seeds.

**Article 97** This law shall take effect as of xxx.

**End Translation**

