

## MEASURES TO ENSURE A SUFFICIENT SUPPLY OF COOKING OIL

*November 13, 1953*

Cooking oil is in short supply, particularly in Shanghai, Guangzhou, Tangshan and other cities. This shortage is not a temporary condition but a longstanding, fundamental problem. Since the restoration of the national economy, production of most of the major industrial and agricultural products has exceeded the level that prevailed before the War of Resistance Against Japan.<sup>142</sup> This is not true, however, of oil-bearing crops, the output of which remains much below the former level, so that the amount of cooking oil produced is only 76 per cent of the prewar figure. Nevertheless, annual sales of cooking oil at home and abroad have increased rapidly—by about 100,000 tons on the domestic market and by more than 80,000 tons abroad. This is the fundamental reason for the present shortage.

The Financial and Economic Commission of the Government Administration Council<sup>7</sup> has analysed the country's production and marketing of cooking oil and proposed measures to ensure a sufficient supply in future.

1. *Production of cooking oil.* In 1935, before the war, 2.22 million tons of oil were produced from oil-bearing crops. By 1952 the figure had dropped to 1.69 million tons, a decrease of 530,000 tons. Only half as much rapeseed and sesame seed was produced as before the war and only three-quarters as many peanuts. The total area devoted to such crops did not decrease, but the per-unit yields dropped sharply, because the peasants were only interested in increasing grain production and neglected other crops.

This was due to policy mistakes on our part. In 1952, mistakenly thinking there was plenty of oil, we purchased only a very small quantity at a relatively low price. This naturally discouraged the peasants from trying to increase the output of oil-bearing crops. This year's natural disasters have

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Report from the Financial and Economic Commission of the Government Administration Council to the Central Committee of the Chinese Communist Party. Two days later the Central Committee approved the report and decided on a national plan for the purchase of oil-bearing crops.

caused a further drop in yields, particularly for peanuts. The peanut-producing areas, such as Shandong and Hebei, have all experienced decreases in yields. The net result is that according to estimates, the total output of cooking oil this year will be 108,000 tons less than it was last year.

2. *Cooking oil for the domestic market.* Sales of cooking oil on the home market have been rising year by year. The amount sold by state trading companies in cities was 200,000 tons in 1951, 290,000 in 1952 and 390,000 in 1953. The amount sold by cooperatives in the countryside has also been increasing steadily. In areas where oil-bearing crops were produced, cooperatives themselves have been pressing oil because they wanted more oil cakes.<sup>143</sup> Thus, the supply in rural areas has increased. But sales there have also increased, and that has put a strain on the supply in urban areas.

In addition, because of the increase in exports, the amount of oil available on the domestic market has been steadily decreasing, dropping from 1.02 million tons in 1952 to 970,000 tons in 1953. Only 895,000 tons are expected for 1954. In 1953 the market shortfall could be made up from stock on hand, but in 1954 a decrease in state purchases, an increase in sales and inadequate stocks will make the supply even tighter.

3. *Cooking oil for export.* In 1936 China exported 268,000 tons of cooking oil. In 1952 we exported 290,000 tons, exceeding the prewar level. In 1953 the amount increased to 337,000 tons, representing 21.3 per cent of total output—a very large proportion.

The increase in export volume resulted, on the one hand, from the large demand for oil by the Soviet Union and other countries and, on the other hand, from our desire to earn more foreign exchange and to barter oil for materials for capital construction (one ton of cooking oil can be traded for four tons of steel). Also, in 1953, when we increased exports by 80,000 tons over the prewar level, it was partly because we mistakenly thought that there was too much oil left in stock from 1952—a miscalculation on our part.

4. *Relative market share of state enterprises and private enterprises.* Over the last three years, in both the domestic and foreign markets for cooking oil, great changes have taken place in the relative importance of the public and private sectors. In the domestic market, state stores and cooperatives accounted for 44 per cent of purchases in 1951, 64 per cent in 1952 and 74 per cent in 1953. The percentages for sales were almost the same. In the export market, state trading companies accounted for 75 per cent of total sales in 1951, 77 per cent in 1952 and 87 per cent in 1953. This means the socialist sector of the economy has gradually expanded. In the second half of 1953, because we stopped exporting flaxseed, leaf-mustard seed and others, the proportion of private exporters has diminished even further. Also, in the

domestic market, because of oil shortages in east China and other areas, we have tightened control over private merchants. Thus, with the steady expansion of state stores and cooperatives, the private sector of the economy has been shrinking.

The solution to the problem of tight oil supply is to expand production of oil-bearing crops. To this end, we should increase per-unit yields, plant more farmland to rapeseed and make full use of uncultivated sandy soil to grow more peanuts. We should try to increase production of crops such as tea seed, sunflower seed and hempseed, which do not interfere with grain production. The Ministry of Agriculture will propose concrete measures to accomplish this, and local authorities should provide leadership in the effort to increase yield. The Ministry of Commerce, meanwhile, will raise the purchase prices of oil-bearing crops.

It should be pointed out that we cannot increase production of these crops immediately. We should therefore take the following six measures to ease the oil shortage in 1954:

1. *Introduce a system of planned purchase—that is, a state monopoly of purchases.* The state should buy oil-bearing crops at the same time it buys grain.

In fiscal year 1953 (October 1953 through September 1954) the state will purchase 872,000 tons of shelled peanuts, 311,000 tons of sesame seed, 431,000 tons of rapeseed, 92,000 tons of flaxseed, 12,000 tons of leaf-mustard seed and 26,000 tons of tea seed. All these will be converted into 685,000 tons of cooking oil. In addition, 150,000 tons of oil will be extracted from soybeans purchased by the Ministry of Grain and another 150,000 tons from cottonseed purchased by cooperatives. This will make a total of 985,000 tons of cooking oil.

The planned purchase will be conducted as follows. In areas where peanuts and sesame seed are the major crops, the authorities of each greater administrative region<sup>11</sup> will divide the oil quota set by the central government among the provinces under its jurisdiction, to be passed down to the prefectures and counties along with the grain quotas. In these areas, because most of the crops are produced for sale, the state can buy a larger proportion of them than elsewhere: 70 per cent for peanuts and 65 per cent for sesame seed.

In other areas where peanuts and sesame seed are also produced, the authorities of the greater administrative regions will allot quotas to the provinces in accordance with the anticipated yields of the various localities. The quota for these crops will be included in the grain quota; that is, peanuts and sesame seed may be substituted for part of the grain. Purchase prices for



oil-bearing crops will be fixed in such a way as to encourage peasants to make the substitution. The prices will be set by the Ministry of Commerce.

2. *Tighten control over private oil merchants.* In areas where the state has established a monopoly of the purchase of oil-bearing crops, private merchants will be forbidden to buy them from the peasants. Whether, after the state purchase quotas have been fulfilled, surplus crops may be sold to local private oil mills or only to state trading companies or cooperatives will be decided after further discussion. In areas where the state has not yet established a monopoly of these crops, private merchants will still be permitted to buy and sell them.

3. *Introduce a system of planned supply—that is, a state monopoly of sales.* In 1954 the planned supply of oil must be introduced in all cities. In rural areas more households lack oil than lack grain, but the ration for each person is hard to determine. The peasants will be unhappy if it is too low, but if it is too high, we shall not be able to guarantee it. Further studies will therefore be made to determine exactly where the new system should be instituted and how it should work. The system of planned supply will be established a little later for oil than for grain.

4. *Expand the supply of cooking oil.* 1) Sell 80,000 more tons of kerosene, so that some of the vegetable oil now used as lamp-oil can be sold as cooking oil instead, 2) substitute animal fats for some of the vegetable oil used in industry, 3) increase the yield of extraction by processing a portion of the crops by machine instead of by more primitive methods, and 4) experiment with extracting oil from millet husks and animal bones.

5. *Reduce the amount of oil exported by 100,000 tons in 1954.*

6. *Centralize control of the state stores and cooperatives that deal in cooking oil.* In order to establish a state monopoly of purchases and prepare for a state monopoly of sales, we should expand the oil company under the Ministry of Commerce and let it coordinate the operations of state stores and the cooperatives.