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Global Agricultural Information Network

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China - Peoples Republic of

Grain and Feed Update

Quarterly Update

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Report Highlights:

MY2013/14 corn production is estimated at 210 million tons, 1 million tons lower than the previous USDA estimate due to a slight decrease in corn acreage. Estimated MY2013/14 overall corn use is revised down 4 percent as industrial use lags. MY 2013/14 sorghum imports are estimated at a record 2 million tons, as feed mills begin to use sorghum as less expensive substitute for corn.

Post:
Beijing

Executive Summary:

MY2013/14 corn production is estimated at 210 million tons, 1 million tons lower than the previous USDA estimate due to a slight decrease in corn acreage. Estimated MY2013/14 overall corn use is revised down 4 percent as industrial use lags. MY 2013/14 sorghum imports are estimated at a record 2 million tons, as feed mills begin to use sorghum as less expensive substitute for corn.

Author Defined:

Corn

Production

Estimated MY2013/14 corn production is mostly unchanged at 210 million tons, despite a slight decrease in total acreage. Corn acreage fell in Heilongjiang where cold and rainy weather hindered planting, while acreage actually increased slightly in the north China plain as farmers favored higher profit corn over soybeans or cotton in Henan and Anhui provinces.

Estimated average corn yields for MY 2013/14 remain unchanged at two percent higher than the previous year. According to our crop survey and trade contacts, favorable growing conditions raised yields five percent over last year in the northeast which was partially offset by lower yields in Hebei, Henan and Anhui provinces following drought conditions in August. Good weather, compared to last year's August typhoon, also increased corn quality in the northeast with minimal lodging and insect damage.

Consumption

MY2013/14 overall consumption is estimated at 214 million tons, a drop of 8 million tons from the previous estimate as industrial use (such as starch and alcohol) slumps in response to more frugal government and private sector demand.

Overall feed consumption is unchanged from the previous estimate. However, commercial feed production reportedly dropped in the first half of CY2013 due to bird flu outbreaks and other animal diseases that impacted the poultry and swine sectors. Farmers tend to use less commercial compound feed when poultry and swine profit margins are low. Instead, they purchase more concentrate and premixed feeds and buy corn or protein ingredients themselves to reduce overall feed costs.

In Guangdong, the largest feed production province, commercial feed production was down four percent in the first half of 2013 according to industrial contacts. Compound feed production was down 4.7 percent year on year in the first half in 2013, while concentrate and premix feed rose by 12.35 percent and 30.68 percent, respectively.

Food safety concerns adversely impacted demand for pork during MY2012/13, while beef and mutton saw robust growth. However, beef and mutton constitute a small portion of China's overall meat production.

Trade

Estimated MY2013/14 imports are unchanged at 7 million tons. To capitalize on low US corn prices, some feed mills have reportedly already contracted for shipments to arrive in the first half of CY2014 based on quotas that will not be allocated until CY 2014. Due to strong domestic production and relatively high corn stocks in the northeast, the government is unlikely to allocate MY 2013/14 TRQ imports above the annual TRQ commitment of 7.2 million tons.

Stocks

MY2013/14 ending stocks are estimated at 65.4 million tons, 8.5 million tons higher than the previous estimate due to a rise in imports and strong domestic production. More than half the stocks are held by state reserves.

In MY12/13, the government purchased 30 million tons of corn in the northeast for temporary reserve under a government program to support corn prices and protect farmer's income. In general, state reserves are offered for sale late in the marketing year when market prices tend to rise. However, due to slowing feed demand and industrial use, the current market price has not rebounded and is currently about 100 RMB per ton lower than last year. The government has delayed selling the corn so as to avoid losses, and the additional reserves are expected to be carried over to the next marketing year.

During MY 2013/14, the government is expected to continue its minimum support price purchase program to support farm income. However, the government is currently reviewing its grain price support programs which may entail some changes to this program in the future.

Wheat

Production

MY2013/14 production is estimated at 118 million tons, 3 million tons lower than the previous estimate due to yield losses from adverse weather. In October 2013, China's National Development and Reform Commission (NDRC) announced that it will continue the supportive procurement policy for new wheat harvested in 2014, with a minimum procurement price set at RMB 2,360 per ton for average quality wheat (up RMB 120 from last year).

Consumption

MY2013/14 feed wheat consumption is estimated at 18 million tons, 8 million tons lower than the previous estimate. Since late 2012, two bumper harvests have made corn prices more competitive with wheat for feed use. Feed mills are more consistently using corn as a primary energy ingredient.

Trade

MY 2013/14 imports are estimated at 9.5 million tons, unchanged from the previous USDA estimate.

Stocks

MY2013/14 ending stocks are estimated at 67 million tons, 10 million tons higher than the previous estimate due to a rise in imports and reduced feed use.

Rice

Production

MY2013/14 rice production is revised down slightly to 141.5 million tons (milled). Drought and high temperatures in July and August adversely impacted the late season rice yield in southern China. Rice acreage is estimated at 30.4 million Ha, slightly lower than the previous estimate, as late season rice planting failed in parts of southern provinces due to drought and high temperatures.

Consumption

Consumption is unchanged from the previous estimate

Trade

MY2013/14 rice imports are estimated at 3.4 million tons, unchanged from the previous estimate. MY2012/13 imports are estimated at 2.9 million tons based on exporter data.

China's total TRQ for rice is 5.2 million tons on a calendar year basis (divided equally between Indica and Japonica). In CY2013, the government tightened TRQ controls and restricted the use of the Japonica TRQ to import Indica rice. Imported Indica rice is about RMB 300 per ton (US\$48 per ton) cheaper than domestic rice. Nevertheless, China's actual Indica rice import still exceeds its TRQ allocation.

Stocks

MY2013/14 ending stocks are estimated at 45 million tons, slightly lower than the previous estimate. The government will continue its minimum price support program for late or mid season Indica rice in MY2013/14 to support farmer income.

Sorghum

Production

MY2013/14 production is estimated at 2.3 million tons, 300,000 tons higher than the previous estimate due to a 15 percent rise in acreage. Compared with corn, sorghum is a minor crop and receives no government support. Most of the expansion in acreage occurs on marginal land, which is normally not used for corn production in the northeast.

Consumption

MY 2013/14 feed consumption increased dramatically to 2.2 million tons, 1.4 million tons higher than the previous estimate. Feed mills are using more imported sorghum to replace corn. MY2012/13 feed use is also revised up to 1.2 million tons, 600,000 tons higher than the previous estimate based on higher sorghum imports for feed use.

Trade

MY 2013/14 sorghum imports are estimated at 2 million tons, 1.3 million tons higher than the previous estimate. Imported sorghum does not have a TRQ limit and is purchased for use in feed. Feed mills in China use U.S. sorghum as a price competitive replacement for domestic corn in swine and poultry feed. According to trade contacts, the imported U.S. sorghum price is less than RMB 2,200 per ton, or about RMB 300 per ton lower than domestic corn in Guangdong.

The first bulk U.S. sorghum commercial shipments arrived in Guangdong and cleared customs in October 2013, following some trial container shipments in MY2012/13. According to trade contacts, China has contracted approximately 1.2 million tons of U.S. sorghum in MY 2013/14.

The liquor sector is reportedly also looking to use imported sorghum as an ingredient in Chinese Baijiu, a hard liquor that traditionally uses local red sorghum. Hard liquor producers are willing to pay a premium for quality sorghum. Chinese sorghum quality in MY 2012/13 was hurt by bad weather in the northeast, thus providing an opening for imports. Based on Chinese customs data, sorghum for hard liquor is selling at a US\$60 per ton premium compared to sorghum for feed use. Trade contacts expect higher domestic production in MY13/14 will reduce the need for imported sorghum for use in liquor production.

PSD Tables

Table 1. Corn

Corn China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	33,540	33,540	34,950	35,030	35,600	35,000
Beginning Stocks	49,415	49,415	59,335	59,335	60,885	65,567
Production	192,780	192,780	205,600	205,610	211,000	210,000
MY Imports	5,231	5,231	3,000	2,702	7,000	7,000
TY Imports	5,231	5,231	3,000	2,702	7,000	7,000
TY Imp. from U.S.	5,337	5,337	0	2,500	0	6500
Total Supply	247,426	247,426	267,935	267,647	278,885	282,567
MY Exports	91	91	50	80	50	80
TY Exports	91	91	50	80	50	80
Feed and Residual	131,000	131,000	144,000	144,000	156,000	156,000
FSI Consumption	57,000	57,000	63,000	58,000	68,000	60,000
Total Consumption	188,000	188,000	207,000	202,000	224,000	216,000
Ending Stocks	59,335	59,335	60,885	65,567	54,835	66,487
Total Distribution	247,426	247,426	267,935	267,647	278,885	282,567

Table 2. Wheat

Wheat China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,270	24,272	24,200	24,268	24,250	24,250
Beginning Stocks	59,091	59,091	55,946	55,946	53,937	58,937
Production	117,400	117,400	121,000	121,000	121,000	118,000
MY Imports	2,933	2,933	2,960	2,960	9,500	9,500
TY Imports	2,933	2,933	2,960	2,960	9,500	9,500
TY Imp. from U.S.	597	597	1,174	1,174	0	4,000
Total Supply	179,424	179,424	179,906	179,906	184,437	186,437
MY Exports	978	978	969	969	1,000	1,000
TY Exports	978	978	969	969	1,000	1,000
Feed and Residual	24,000	24,000	25,000	20,000	26,000	18,000
FSI Consumption	98,500	98,500	100,000	100,000	100,500	100,500

Total Consumption	122,500	122,500	125,000	120,000	126,500	118,500
Ending Stocks	55,946	55,946	53,937	58,937	56,937	66,937
Total Distribution	179,424	179,424	179,906	179,906	184,437	186,437

Table 3. Rice

Rice, Milled China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,057	30,057	30,297	30,137	30,600	30,400
Beginning Stocks	42,574	42,574	45,023	45,023	46,882	46,563
Milled Production	140,700	140,700	143,300	143,000	142,000	141,500
Rough Production	201,000	201,000	204,714	204,286	202,857	202,143
Milling Rate (.9999)	7,000	7,000	7,000	7,000	7,000	7,000
MY Imports	1,790	1,790	2,900	2,900	3,400	3,400
TY Imports	2,900	2,900	3,200		3,400	
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	185,064	185,064	191,223	190,923	192,282	191,463
MY Exports	441	464	341	360	350	350
TY Exports	267		350		350	
Consumption and Residual	139,600	139,600	144,000	144,000	146,000	146,000
Ending Stocks	45,023	45,023	46,882	46,563	45,932	45,113
Total Distribution	185,064	185,087	191,223	190,923	192,282	191,463

Table 4. Sorghum

Sorghum China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	500	500	520	623	480	550
Beginning Stocks	467	467	365	365	430	324
Production	2,050	2,050	2,190	2,556	2,000	2,300
MY Imports	84	84	500	630	700	2,000
TY Imports	84	84	500	630	700	2,000
TY Imp. from U.S.	0	0	0	3	0	1,600
Total Supply	2,601	2,601	3,055	3,551	3,130	4,624
MY Exports	36	36	25	27	50	30
TY Exports	36	36	25	27	50	30
Feed and Residual	400	400	600	1,200	800	2,200
FSI Consumption	1,800	1,800	2,000	2,000	2,000	2,000
Total Consumption	2,200	2,200	2,600	3,200	2,800	4,200
Ending Stocks	365	365	430	324	280	394
Total Distribution	2,601	2,601	3,055	3,551	3,130	4,624