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China - Peoples Republic of

Oilseeds and Products Update

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Report Highlights:

Post's MY13/14 soybean production forecast of 12 million tons planted on 6.8 million hectares (MHa) and MY13/14 soybean imports forecast at 67.5 million tons remain unchanged from our previous report (CH13024). Rapeseed and peanut production forecasts also remain stable. Soymeal consumption maintains an upward trend with continued expansion of cultured aquatic production expected to add to protein meal use and soy demand in 2013. China's recent approval of three GMO soybean varieties for importation will facilitate soybean imports.

Post:
Beijing

Executive Summary:

Post's MY13/14 soybean production forecast of 12 million tons planted on 6.8 million hectares (MHa) and MY13/14 soybean imports forecast to reach 67.5 million tons remain unchanged from our previous report (CH13024). Rapeseed and peanut production forecasts also remain stable. Soymeal consumption maintains an upward trend with continued expansion of cultured aquatic production expected to add to protein meal use and soy demand in 2013. China's recent approval of three GMO soybean varieties for importation will facilitate smooth soybean imports.

Author Defined:

MY13/14 soybean production forecast at 12 million tons

According to industry sources, as of early June, MY13/14 crop planting was nearly complete in all regions, including the Northeast Provinces, where planting was delayed 10 days later than normal due to weather. Improved weather conditions in June, however, promoted strong growth with adequate sunlight, temperature and precipitation.

Post's MY13/14 soybean production forecast of 12 million tons planted on 6.8 million hectares is unchanged from our previous report. China's industry sources estimate the MY13/14 soybean production between 12 and 12.5 million tons, down 3 to 4 percent over the previous year.

China's National Grain and Oils Information center (CNGOIC) estimates planted area of 6.5 MHa, down 3.7 percent over the previous year. According to CNGOIC data, the declining trend in soybean area was slowed somewhat, in particular in Heilongjiang Province, as improved MY12/13 profits, better crop rotation and fewer alternative crops (corn planting window reduced by weather in parts of Heilongjiang) influenced soybean planting.

MY13/14 rapeseed production estimated at 12.7 million tons

MY13/14 rapeseed production forecast at 12.7 million tons is unchanged from the previous report. As reported in CH13024, the government implemented its program to purchase 5 million tons of MY13/14 rapeseed at a floor price of RMB5,100/ton (\$822/ton) as a means to protect farmers income and secure resources for market intervention, if necessary. Currently, the gap between the market price and government floor price is marginal. However, the impact of the government purchase program over the last five years has increasingly influenced a rise in rapeseed oil market price, relative to other vegetable oil prices. This impact has stimulated imports of lower priced rapeseed and rapeseed oil.

Peanut production forecast at 16 million tons in MY13/14

Post's MY13/14 peanut production is forecast at 16 million tons in response to strong profits signals in MY12/13. According to a report by Shandong Agriculture Bureau, MY12/13 peanut profit averaged \$1,870/Ha, up 150 percent over the previous year, even with increased production costs. The MY13/14 planted area in Shandong is expected to remain stable at 803,000 Ha.

Imports

MY12/13 soybean imports adjusted down to 59.5 million tons

A surge in the international price of soybeans slowed imports in late 2012. Soybean imports are estimated at 41.9 million tons in the first three quarters of MY12/13, down 2 million tons over the previous year. However, soybean imports are expected to remain strong in the 4th quarter with total imports estimated at 59.5 million tons for MY12/13.

Post's MY13/14 soybean import for this month remains unchanged with a forecast rise of 2 million tons to 67.5 million tons. This forecast is conditioned on the expectation that China's practice supports the purchase of soybeans to maintain sufficient stock levels when supply is available and the price is reasonable, even if crush consumption remain stable (CH13024). Other industry sources, however, argue for a more conservative level of imports for MY13/14 at 63 million tons only.

Consumption

Soy meal consumption growing 3.6 percent per year

Post's estimate for soybean meal consumption remains unchanged from the May report (CH13024), with MY12/13 soybean meal consumption rising 3.6 percent year on year to 48.2 million tons, down 1 million tons from the previously estimated 49.2 million tons due to recent disease impacts in the poultry sector, representing the equivalent of less than 1.5 million tons of soybeans for crushing. The disease impact appears to be under control with poultry sector recovery underway. June feed consumption is expected to show a moderate increase over the previous month.

Cultured aquatic production increased by 6.6 percent

In mid-May, China's MOA published 2012 total fishery production of 59.07 million tons, up 5.43 percent over the previous year. Out of the total fishery production, the cultured aquatic production reached 42.88 million tons, up 6.6 percent over 2011. The 3.23 percent growth in cultured water area, together with improved productivity, contributed to the production gain. The continued expansion of

cultured aquatic production is expected to drive protein meal use and soy demand in 2013.

Oilseed market access

During the China- Latin American Agricultural Minister Forum held in early June, China's Ministry of Agriculture (MOA) announced the approval of three new GMO soybean varieties for import to China for processing. Soybean traders had been concerned about trade interruptions caused by delayed approval as these varieties were commercialized in leading soybean-exporting countries. Biotechnology companies are expected to continue cooperation with China's MOA for market access procedures for new GMO varieties to continue smooth trade in innovative products.