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China, Peoples Republic of

Oilseeds and Products

Soybean Update

2004

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Report Highlights:

Post's MY04/05 soybean import estimate is 20 MMT and production is 18 MMT.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH]
[CH]

Production

On Nov 25, 2004, a recognized Chinese consultant publication estimated MY2004/5 production at 18 MMT, which is virtually unchanged compared to its end of October of 18.05 MMT. Both of these estimates are down from an earlier estimate of 18.8 MMT. The latest estimate is still greater than last year's production. Four provinces registered increases: 1) Heilongjiang up by 1 MMT to 6.65 MMT; 2) Inner Mongolia up by 464 KMT to reach 1 MMT; 3) Henan up 567 KMT to 1 MMT; and, 4) Anhui up 19 KMT to 1.19 MMT. The growth in Heilongjiang can be attributed mainly to increased yield, which averaged at 1,900 kg/Ha, up by 245 kg/Ha or 15 percent more than the year before.

Some other sources' estimates, however, are as high as 18.8 MMT. Post's October estimate of 18 MMT remains unchanged.

Marketing

Domestic soybean prices started the season relatively high but continued to drop until mid-November along with the price drop on the Chicago Board of Trade. Most farmers hoarded their soybeans in expectation of a repeat of last season's a post-harvest price increase. Traders and crushers, however, did not rush to buy as the farmers had expected. Recently, some crushers in Northeastern China began to purchase due to a shortage of beans. As a result, prices and trading volumes have increased slightly. Transportation remains a problem. Although the Ministry of Railway reiterated its prohibition against charging an extra fee to secure rail cars, shippers report the practice is still occurring. Given the cited problems, it appears it will take even longer than usual to get domestic soybeans to market.

Consumption

The same publication mentioned above estimates that in MY04/05 domestic crushing use would reach 28 MMT, and domestic SBM production would hit 22.3 MMT, compared to 19.87 MMT for MY03/04. Currently the subdued soy product market is a result of price uncertainty. Mills reportedly expect further price drops for SBM. In the longer term, however, total soybean demand for MY04/05 is expected to grow along with the increased demand for SBM and SBO.

Imports

Trade sources forecast soybean imports for MY04/05 will reach 19 MMT, chiefly due to continuing strong demand for soy products, especially SBM, in addition to a relatively low ending stock for MY03/04. Some sources estimates range as high as 20 MMT. Post's import estimate for MY04/05 is 20 MMT or even higher. One source reported that China's total contracts for U.S. soybeans reached 6.6 MMT as of Nov 18 of MY04/05. This was 44 percent higher than the same period in previous year. Arrivals in the coming two months are expected exceed 2 MMT monthly. It is worth noting a bumper harvest of cotton (estimated at 6.3 MMT) will result in higher cottonseed meal and oil in market. It is estimated that cottonseed will grow by above 2 MMT relative to the year before.