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China, Peoples Republic of

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Survey Estimates China's Crushing Capacity at 70 MMT

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Report Highlights:

In January 2005 China's Ministry of Commerce published the findings of a survey of China's soybean crushing capacity. The survey estimates China's total crushing capacity to be 70 million metric tons. This is significantly higher than the 60 MMT estimate often quoted by trade sources.

Includes PSD Changes: No
Includes Trade Matrix: No
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Introduction

In January 2005, the results of a survey conducted in late 2004 by China Chamber of Commerce for Import/Export of Foodstuffs, Native Produce and Animal By-products (CNFA) were published on China's Ministry of Commerce, Department of Foreign Trade website. (See http://wms.mofcom.gov.cn/article/200502/20050200343928_1.xml Chinese only.) CNFA is a quasi-governmental industry organization that is supported by and takes direction from the Ministry of Commerce (MOC) and works closely and National Development and Reform Commission (NDRC).

The purposes of the survey were to determine: 1) how many crushers exist in China that crush at least 200 MT per day; 2) where most of the crushers are located; 3) the daily crushing capacity of those crushers that met the 200 MT per day minimum; 4) the total national crushing capacity; and, 5) whether the existing crushing capacity is adequate or excessive for China's needs.

Findings

Total Number of Crushers: The survey found 169 crushers that met the 200 MT per day minimum. Crushers of less than 200 MT per day were not counted. Of those 169 crushers, 90 crush at least 1,000 MT per day.

Total Crushing Capacity: As of the end of 2004, the 169 surveyed crushers had a total capacity of 233,700 MT per day. The survey assumed a normal utilization rate of 300 working days per year, so China's annual crushing capacity is 70.1 MMT per year. The 90 crushers with a daily capacity of at least 1,000 MT averaged 2,192 MT per day, or approximately 59.2 MMT per year. Thus, these 90 crushers accounted for 84.4 percent of the national total.

Geographic Distribution: The surveyed crushers are located in 19 provinces. Of the 90 previously mentioned crushers, 63 are located in seven coastal provinces: 1) Liaoning; 2) Shandong; 3) Jiangsu; 4) Zhejiang; 5) Fujian, 6) Guangdong; and, 7) Guangxi. These 63 crushers account for 73 percent of the national total crushing capacity, meaning a large portion of China's crushing capacity is located in seven coastal provinces.

Conclusions of Survey

Based on the estimated 29 MMT of soybeans crushed in 2004, the 70 MMT capacity far exceeds China's crushing capacity needs. The survey estimated China needed 22 MMT of soybean meal in 2004 (21 MMT for domestic use plus 1 MMT exported.) This converts to 27 MMT of soybeans; meaning China's average capacity utilization rate is less than 40 percent.

Given this excess capacity, the survey cautioned all crushers and their investors to heavily scrutinize any further expansion plans.

FAS Comment

Although this survey provides the first meaningful data Post has found recently, Post cautions readers against using the averages cited above because China's crushing industry runs the gamut from the world's largest crusher (12,000 MT per day) with the latest technology to small family-run operations that use labor-intensive, outmoded technology. The large, efficient crushers operate nearly 24 hours a day, 365 days a year, whereas the

small crushers may only operate during the harvest season. So, the composition of the average is as important as the average itself. Also, survey's finding that China's total estimated annual crushing capacity of 70 MMT is well above the 60 MMT estimated by most analysts.

The Chinese Central Government has been trying to cool overheated sectors of China's economy and the crushing industry has been expanding rapidly over the past several years. This survey may be intended to justify slowing future expansion through tougher credit policies and other measures.