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Report Highlights:

The government of China recently announced several grain policy changes to meet increasing feed demand and confront the global spread of COVID-19. The policy changes include a reversal of the effort to reduce corn area, a return to double-crop rice planting, the stabilization of wheat area, and a reduction in overall fallow area. China's 2020/21 feed and residual use in total are forecast to increase 8.1 million tons, a four percent increase over 2019/20. Overall feed demand is expected to recover to the 2017/18 level at around 212.7 million tons, as the hog feed loss due to African Swine Fever is offset by strong poultry and ruminant expansion along with a swine and poultry restocking boom following the COVID-19 epidemic.

Note: The April 2020 Annual compares estimates and forecasts to the January 2020 [Update](#) for marketing years 2018/19, 2019/20, and 2020/21. FAS-Beijing projections do not represent official USDA forecasts.¹

Executive Summary

China's 2020/21 feed and residual use in total are forecast to increase 8.1 million tons, a four percent increase over 2019/20. Overall feed demand is expected to recover to the 2017/18 level at around 212.7 million tons. To meet increasing feed demand and in the face of the spread of COVID-19 globally, the Chinese government recently announced a number of grain policy changes, including a reversal of the move to reduce corn area, a return to double-crop rice planting, the stabilization of wheat area, a reduction in overall fallow area, and a reduction in the geographic coverage of the "grain-to-feed" subsidy program.

Corn production in 2020/21 is forecast down 4 percent to 250 million tons, mainly due to concerns about Fall Armyworm (FAW). 2020/21 wheat production is forecast at 135.0 million tons, slightly higher than 2019/20 due to policy-driven larger area. 2020/21 rough rice production is forecast at 212.9 million tons, up 3.3 million tons, based on temporary subsidy measures to encourage farmers to switch back to double-cropping rice. Corn and sorghum imports for 2020/21 are forecast up by 1 million and 500,000 tons, respectively, based on an anticipated livestock and poultry restocking, and expectations for the full utilization of the TRQ for corn. On the other hand, 2020/21 rice imports are forecast down 200,000 tons, due to government policies to recover early Indica rice production.

POLICY

The No. 1 Document Reiterates Self-Reliance in Staple Grains

On February 6, 2020, the Chinese government released the annual policy guidelines on agriculture and rural development known as the No. 1 Document. The government has repeatedly stated that China must be self-reliant in the production of staple grains, namely rice and wheat. This year's No. 1 Document stipulates that grain area and production should remain stable in every province in 2020. The Minimum Support Price (MSP) program will continue to be implemented in major grain producing regions. Pilot programs offering full production cost-based and income-based insurance will be further expanded in rice, wheat, and corn production areas. The No. 1 document also calls for greater use of high-yield varieties and crop rotation between soybeans and corn.

¹ The global Trade Year (TY) for the follow grains is as follows: Corn, Sorghum, and Barley (October – September), for example, TY 2020/21 represents imports or exports from October 2020 to September 2021; Wheat TY 2020/21 is July 2020 through June 2021; Rice TY 2020/21 is January 2021 through December 2021). Marketing Year (MY) is determined by (1) Country and (2) Commodity.

Chinese Government Sets Goal of Maintaining 2020 Planted Area at 2019 Level

On February 25, President Xi Jinping published instructions for spring planting work, underscoring the importance of ensuring grain and food security amid the COVID-19 epidemic. He called for a return to two-season from one-season rice cropping in some regions.

On March 2, the Central Leading Group on the COVID-19 Epidemic issued the Working Guidance on Spring Planting, requiring that each provincial governor ensure 2020 planted area and production be comparable to 2019 levels. The guidance also encourages a return to double-crop rice planting, stabilizing and expanding early rice area, and reducing the area left fallow while increasing crop rotation, mainly between grain crops. In addition, there will be a reduction in the geographic coverage of the “grain-to-feed” subsidy program, which was established in 2015 to encourage farmers to switch from kernel corn to silage corn. The program will now be limited to the Northern farming and animal husbandry belt, rather than covering all 17 of the main corn-producing provinces as in the past.

On March 6, the Ministry of Agriculture and Rural Affairs (MARA) published the 2020 Crop Production Plan, setting a goal for minimum total planted area of rice, wheat and corn at 93 million hectares, with a goal for rice and wheat area of 53.3 million hectares. In addition, the plan calls for a targeted 5.33 million hectares of high-quality farmland and 1.33 million hectares of high-efficiency, water-saving irrigated farmland, the introduction of improved grain varieties, and a further increase in the mechanization rate. Intercropping of soybeans and corn will be promoted to maximize land efficiency and productivity.

China Lowers Import Tariffs for Certain U.S. Exports

On February 6, the State Council Tariff Commission (SCCTC) announced that China would cut in half the additional tariffs on certain commodities from the United States on February 14, 2020, including numerous HS lines for barley, corn, rice, sorghum, and wheat. These additional tariffs are those imposed on U.S. commodities on September 1, 2019. Other retaliatory tariffs remain in force. See FAS-Beijing’s February 14, 2020 report “[China Announces Reductions in Certain Additional Tariffs](#)” for more information.

China Announces a New Round of Tariff Exclusions

On February 18, China announced a new round of tariff exclusions for U.S. agricultural commodities impacted by the retaliatory Section 301-tariffs levied by China. The announcement enumerates approximately 150 agricultural and agricultural-related tariff lines, but eligible enterprises may apply for a tariff exclusion for any tariff line, provided that the tariff line has not already received a tariff exclusion. Tariff exclusions will be approved for individual applicants and will not automatically extend to all importers. The application process through China's Ministry of Finance (MOF) website began on March 2, 2020. Several grain products are on the exclusion list. See FAS-Beijing’s February 26, 2020 report “[China Announces a New Round of Tariff Exclusions](#)” for more information.

China Grain TRQ (Tariff Rate Quotas)

On September 29, 2019, the National Development and Reform Commission (NDRC) published the 2020 TRQ Application and Allocation Measures for Grain and Cotton. For grain, the total quota and percentage allocated for importation through State-Owned Enterprises (SOEs) remains unchanged from 2019. As noted in past reports, China's grain TRQs are underfilled annually.

China's 2020 Tariff Rate Quota Policies for Grains					
Commodity	TRQ Volume (MT)	Private Allocation	State-Owned Enterprise Allocation	In-Quota Duty	Out-of-Quota Duty
Corn	7,200,000	40%	60%	1%	65%
Wheat	9,636,000	10%	90%	1%	65%
Long Grain Rice	2,660,000	50%	50%	1%	65%
Medium-Short Grain Rice	2,660,000	50%	50%	1%	65%

FEED DEMAND

China's 2020/21 feed and residual use in total are forecast to increase 8.1 million tons, a four percent increase over 2019/20. Overall feed demand is expected to recover to the 2017/18 level at around 212 million tons, as the hog feed loss due to African Swine Fever (ASF) is offset by strong poultry and ruminant expansion along with a swine and poultry restocking boom following the COVID-19 epidemic. Chinese feed mills mainly consider price and quality in their choice of feed ingredients.

FAS Beijing Feed and Residual Use Estimates and Forecasts (Million Metric Tons)				
Grain	2018/19	2019/20	2020/21	Change
Corn	184.0	180.0	190.0	10
Sorghum	1.5	2.0	2.7	0.7
Barley	2.4	3.6	3.0	-0.6
Wheat	20.0	18.0	17.0	-1.0
Total	207.9	203.6	212.7	9.1

On February 28, the National Bureau of Statistics (NBS) published its 2019 National Economic and Social Development Report. The report indicates that 2019 overall pork production was down by 21.3 percent compared to the previous year, while beef, lamb and poultry meat were up by 3.6 percent, 2.6 percent and 12.3 percent, respectively. China's industrial feed production declined 3.7 percent year-on-year, to 228.9 million tons in 2019. Pig and poultry feed production accounted for 33.5 percent and 50.6 percent of total feed production, respectively, compared with 43.9 percent and 41.4 percent a year earlier. Looking at the changes in production of different kinds of feed, pig feed production declined

26.6 percent to 76.6 million tons, while layer, broiler, and ruminant feed production rose 9.6, 21.0 and 9.0 percent to 31.2, 84.6, and 11.1 million tons respectively.

China's 2019 Annual Feed Production by Breed							
	Swine	Layers	Broiler	Ruminants	Pet Food	Aquaculture	Others
2019 Production (in millions)	76.6	31.2	84.6	11.1	0.9	22.0	2.4
Year-on-Year Increase (%)	-26.6	9.6	21.0	9.0	10.8	0.3	29.5

Source: China Feed Industry Association

In March 2020, MARA stated that the threat from ASF has been greatly reduced. Driven by policy and market forces, breeding sow stocks showed recovery for four months in a row, from November 2019 through February 2020, rising by 8 percent in February compared with last September. Also in February, the number of newborn piglets in scaled pig farms increased by 3.4 percent over the previous month, the first increase since September 2019. In the two-month period of January-February 2020, broiler and layer feed production were 36.1 percent and 21 percent higher respectively than during the same period in 2019, and total feed production nationwide rose by 2 percent year-on-year. By March 16, more than 85 percent of feed operations, veterinary medicine plants, breeding farms, and slaughterhouses resumed production following the standstill due to the COVID-19 epidemic. MARA expressed confidence in recovering 2020 live pig production capacity to the level of normal years.

Pig farms nationwide are enthusiastic about restocking, encouraged by record high pork prices, the potential development of an ASF vaccine, and waves of government incentive measures. Leading pig breeding farms are wasting no time in building new projects and scrambling for piglets and sows. Piglet prices continue to rise, reaching a new high of 2,500 RMB per head in March.

On the poultry side, based on a survey conducted by the National Broiler Industry Technology System, it is estimated that the COVID-19 outbreak has lowered broiler slaughter by 9 percent in January and 45 percent in February. Production is estimated to have dropped by 21 percent in the first quarter of 2020. With the waning of the COVID-19 epidemic, feed mill production capacity was at close to 80 percent of normal level at the end of February. The poultry industry is also benefiting from government incentives to support recovery and restocking. Despite a sizeable 12.5 billion RMB loss during the epidemic, in March four leading broiler enterprises announced new broiler construction projects, with a total investment of up to 7.4 billion RMB.

Feed Grains

PRODUCTION

Corn

Corn production in 2020/21 is forecast down 4 percent to 250 million tons, mainly due to concerns about Fall Armyworm (FAW). On February 20, 2020, MARA issued the 2020 FAW Prevention Plan in the lead up to spring planting. MARA's plan anticipates that FAW damage will be very severe in 2020 with a wider spread of pests impacting a larger area in southern China. Additionally, the plan acknowledges that FAW's movement to northern China will occur one to two months earlier than last year. Currently, industry predicts the country will suffer a shortage of corn and soaring prices this year, especially if the spread affects large areas of the North China Plain and northeast China, the country's corn belt. See FAS-Beijing's report [MARA FAW Prevention Plan Braces for Widespread Pest Impact in 2020-21 Crops](#) for more information.

China has been restructuring its crop production in recent years. For example, China converted a total of 15 million mu of grain (corn) into feed crops, including forage grain. Planted area is estimated to remain stable in 2020/21 in line with recent Chinese government policy guidelines amid the COVID-19 epidemic, including a reversal of the policy of reducing corn area, reduced area designated for the "grain-to-feed" program, reduced area left fallow, and increased rotation among grain crops. Industry reports indicate that the corn subsidy will also be double compared to 2019/20, while soybean subsidies will be unchanged.

Sorghum

2020/21 sorghum and barley production are forecast to remain stable at 3.4 million tons and 900,000 tons respectively. According to an industry survey, sorghum planting intentions in northeast China and the North China Plain are stable.

CONSUMPTION

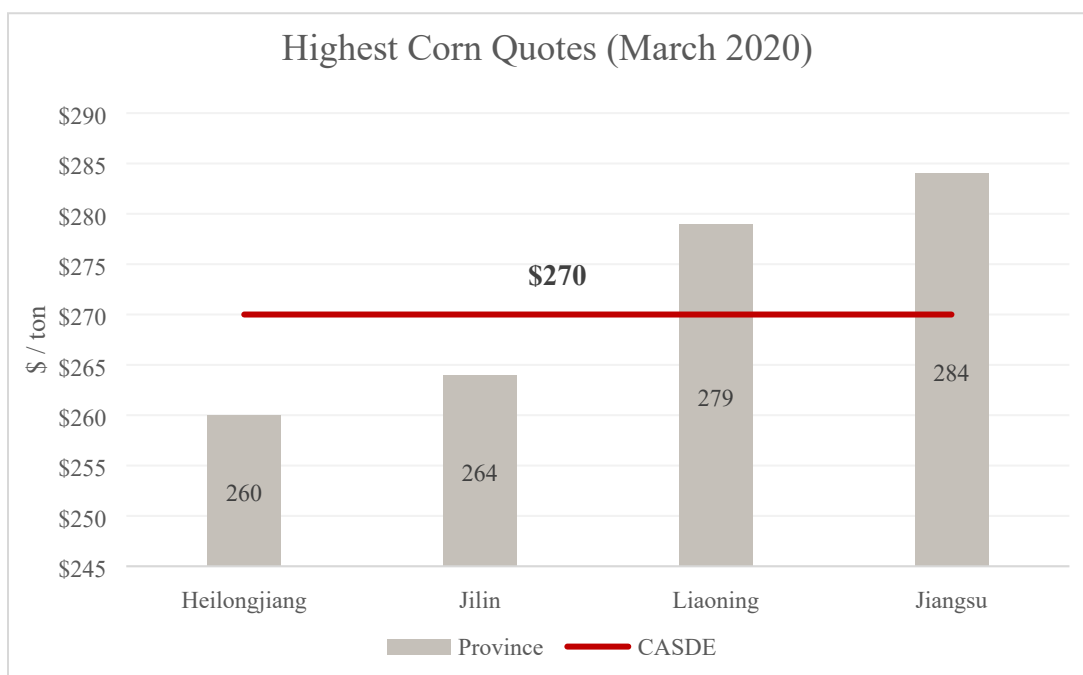
Corn

The 2020/21 consumption forecast is up 11 million tons to 280 million as feed demand is estimated to return to pre-ASF levels. 2019/20 poultry feed consumption is already at historic high levels. It is expected that post-COVID-19 livestock and poultry restocking along with continued large-scale new investment will further push up feed demand in 2020 and beyond.

2018/19 feed consumption is adjusted up from the January estimate as a stronger-than-expected poultry feed increase will offset at least 70 percent of swine feed loss from ASF. Based on this adjustment, 2019/20 feed consumption is revised down 4 million or 2 percent from 2018/19 due to the damage inflicted on the poultry industry during the COVID-19 epidemic.

Slight consumption growth for FSI (Food, Seed, and Industrial) processing (i.e. ethanol, corn processed products, etc.) is expected for 2020/21. The China Starch Industry Association reported that 2019 corn starch consumption reached 27.3 million tons, up 2.1 percent from the previous year. Many new corn deep processing projects will start production in 2020, while corn processed for fuel ethanol will level out as the country will reportedly suspend expansion of the E10 pilot. Despite the COVID-19 outbreak, 2019/20 corn FSI consumption remains unchanged, as most alcohol production capacity was dispatched to produce 75% ethanol for medical use, offsetting delayed corn deep processing production for other purposes.

There is industry speculation that over 6 million tons of old rice stocks will be auctioned to corn processing plants at a price of no more than 850 yuan per ton. JCI estimates that among China’s huge MSP rice reserves, at least 50 million tons are not suitable for human consumption, among which at least 30 million tons will go to corn deep processing or feed mills, replacing about 20 million tons of corn industrial consumption in the future.



Note: CASDE’s corn price range in March’s publication was 1,800 to 1,900 yuan/ton. When converted to dollars (\$=7 yuan), the 1,900 yuan/ton price equals \$270. Source: Industry Contacts (highest corn price quoted by province)

Sorghum

The 2020/21 consumption is forecast at 5.5 million tons, up 800,000 tons from USDA’s March estimates for 2019/20 as tariff exclusion measures announced in March enabled southern feed mills to import feed sorghum from the U.S. at a competitive price. 2020/21 FSI consumption is estimated at 2.8 million tons, 100,000 tons higher than 2019/20. NBS reports that baijiu production in the first 11 months of 2019

totaled 6,980 million liters, down 0.2 percent from 2018. Although overall baijiu production fell, mid-to-high-end baijiu brands have reported strong sales, particularly among exclusive brands in the top-tier. Higher-end baijiu brands claim to use higher shares or exclusively sorghum ingredients.

Barley

2020/21 consumption is forecast at 6.8 million tons, down 600,000 tons from USDA's March estimates for 2019/20 due to more availability of alternative feed grains. Roughly half of China's barley consumption is expected to be for feed, while the remainder is projected to be disbursed amongst FSI, with the domestic beer industry as the predominant consumer. 2020 beer consumption is expected to flatten. Beer demand growth in the mid-to-high end beer segment is projected to offset sluggish demand in the low-end beer segment. Industry sources report that in 2019, overall beer production is estimated at 37,650 million liters, up 1.1 percent over 2018.

TRADE

Corn

Imports for 2020/21 are forecast up by 1 million to 7 million tons as the government has promised full utilization of the 7.2 million tons TRQ and southern feed mills need high quality, competitively priced corn to support robust livestock and poultry restocking.

There is a consensus among industry sources that feed demand, especially poultry feed demand, will begin to recover from the impact of COVID-19 in May. It is expected that the government will intervene to support domestic corn prices in order to safeguard farmer incomes and to expedite the corn procurement progress, which was delayed by COVID-19 epidemic control measures in January and February. Along with these marketing delays, the COVID-19 outbreak also exposed the risks of systemic long-distance transportation of animals and feed ingredients. In response, government support policies now encourage proximity among feed mills, breeding farms, and slaughterhouse. Industry sources estimate a 70-million-ton corn supply gap in the southern and other coastal areas, which will have to be filled by reserves and imports.

The period from March to May will see another round of piglet restocking, pushing up demand for good quality corn all year round. JCI predicts that there will be a piglet feed consumption boom beginning in March and continuing into the second quarter of 2020, based on the increase in sow stocks that began in October 2019 and the fact that it takes approximately five months for piglets to grow into commercial hogs. This will lead to increased demand for 1st Class feed corn, while China's National Food and Strategic Reserves Administration (NFSRA) reported that 2019/20 domestic corn quality is worse than 2018/19. Among the nine provinces that are tested, six reported worse quality. Industry also reported a large portion of Heilongjiang corn was 3rd class. Even Jilin saw a large amount of 3rd class corn for their 2019/21 crop. COVID-19 epidemic control measures prevented farmers from selling corn, resulting in some corn mold due to rising temperatures and poor storage conditions. All these factors indicate mills may have to import good quality corn to support piglet and sow restocking.

Industry reported that China's corn TRQ for import through private companies has been used up, mostly for imports from Ukraine. However, there should be remaining TRQs for import through state-owned enterprises, estimated to be as much as three million tons. Industry reported that during the two-week-long price rally in the Chinese corn market following the Chinese Lunar New Year Holiday, Chinese importers bought 5-6 cargoes of Ukrainian corn. During the first week of April, USDA export sales indicated that China purchased 567,000 tons of U.S. corn, of which 63,000 tons is for delivery during 2019/20 and 504,000 tons is for 2020/21. In addition, USDA export sales in late March showed China purchased 756,000 tons for delivery during 2019/20, the largest Chinese purchase since July 2013.

The market is also showing great interest in U.S. distillers dried grains (DDGs). On March 12, 2020, the General Administration of Customs of China (GACC) posted the updated "List of U.S. establishments eligible to export distillers dried grains (DDG) and distillers dried grains with solubles (DDGS) to China" on its website. DDGs are included in the tariff exclusion list, and importers can apply for an exclusion from the additional 25 percent 301 tariffs. Industry contacts anticipate China's cancellation of the AD/CVD on DDGs, with some speculating that the announcement date will be mid-April 2020. Additionally, China recently granted market access to imported DDGs from Bulgaria.

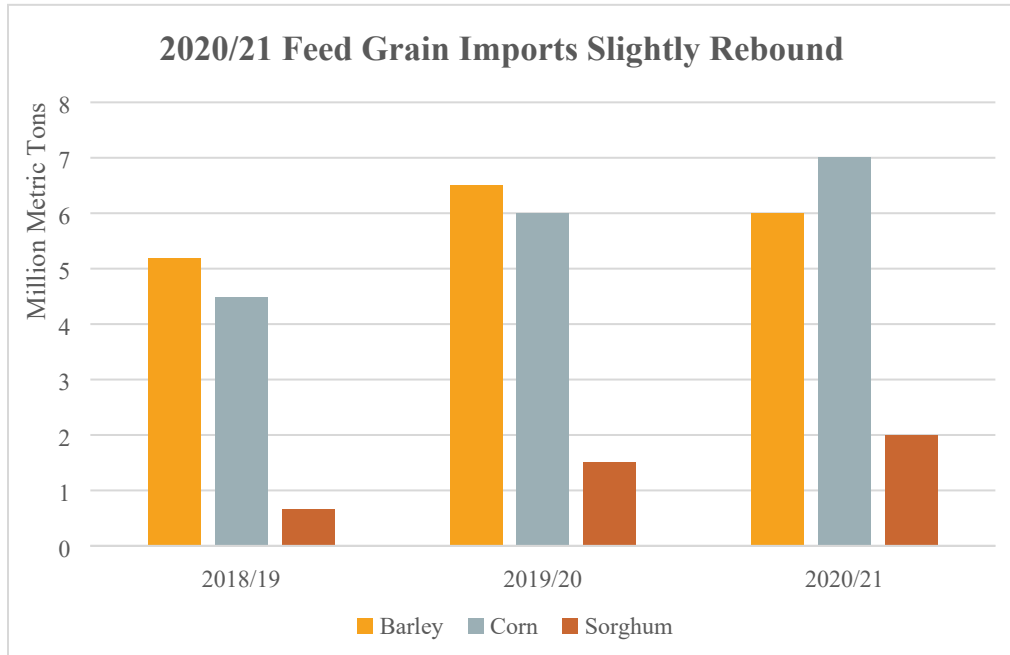
Sorghum

2020/21 imports are forecast 500,000 tons higher than 2019/20 to accommodate robust feed demand from livestock and poultry restocking. In March, more than a dozen Chinese traders and feed mills have reported receipt of tariff exclusion approvals from the Chinese Ministry of Finance to import U.S. sorghum.

Imports for 2019/20 are adjusted higher to 1.5 million tons, reflecting large purchases from October 2019 to date. Since last October, the Chinese government has given occasional 301-related-tariff free quotas to traders and mills, pushing up sorghum imports to surpass 1 million through March 2020. The COVID-19 epidemic also pushed up sorghum feed demand to fill a gap left by a corn shortage in the South due to blocked roads and other movement restrictions. Industry reports that on top of the roughly 300,000 tons shipped during the last couple of months, China has purchased 17 full panamax vessels of U.S. sorghum at prices ranging from RMB1860-1900 after the Chinese Lunar New Year Holiday. These shipments are estimated to arrive at Chinese ports in late April to early June. In mid-March however, with increased prices at RMB1930-1950, U.S. sorghum is now deemed too expensive by Chinese feed mills.

Barley

Imports for 2020/21 are forecast lower to 6 million tons, down 500,000 tons from USDA's March estimate for 2019/20 due to the availability of other grain imports.



STOCKS

Corn

Stocks in 2020/21 are forecast at 191 million tons, down over 8 million tons from USDA’s March estimate for 2019/20 due to lower production and recovered feed consumption. Chinese corn stocks played an important role during the COVID-19 epidemic. See FAS-Beijing’s report [China Auctions Reserve Corn to Alleviate Ingredient Shortage amid COVID-19 Outbreak](#) for more information. The epidemic strengthened the Chinese government view that the strategic grain reserve is vital to food security, leading to a policy shift away from expedited destocking towards mild destocking, enhanced provincial reserves, and stocks rotation.

Major Food Grains

Wheat

PRODUCTION

2020/21² wheat production is forecast at 135.0 million tons, slightly higher than 2019/20 due to larger area. Before winter wheat planting, MARA set a goal of increasing both high- and low-protein wheat planting area by two percent. In mid-March, top wheat producer Henan reported 91.5 percent first- and

² Marketing Year is July through June.

second-class seedlings in its 2020/21 planting, the best in three years. On March 16, NBS announced that winter wheat area was stable at 22.1 million hectares. At the end of February, the nationwide first- and second-class seedling rate was 3 percent higher than last year. However, wheat yellow rust and scab disease broke out more severely and much earlier than in 2018/19, when China saw a severe decline in wheat production and quality due to the disease. The National Agriculture Technology Extension Service Center has also warned of the outbreak of wheat sharp eyespot disease, which is projected to reach peak outbreak in late March.

CONSUMPTION

2020/21 total wheat consumption is forecast slightly lower at 125 MMT, down 3 million tons from USDA's March estimate for MY2019/20, on lower feed use.

2020/21 feed use is forecast at 17 million tons, down 1 million ton from USDA's estimate for 2019/20 in March, based on normal wheat quality in 2020/21 and comparatively lower volumes of feed-quality wheat in 2019/20.

Price and quality are the main factors determining how much wheat is used in feed. For example, feed mills purchased a large volume of wheat from the 2018/19 harvest, when prices were relatively low. Industry estimated that 3 to 6 million tons of wheat went to feed mills that marketing year. On the other hand, heavy rainstorms affected wheat quality in 2018, with much of the crop exhibiting the impact of mold and sprouting and thus not eligible for MSP procurement.

2020/21 FSI use is forecast higher at 108 million tons, up 1 million tons from USDA's March estimate for MY2019/20 on population growth and growing demand for Western-style baked goods. Industry sources forecast that China's baking industry will continue to grow at a rate of about 14 percent in first-tier cities and about 26 percent in second- and third-tier cities.

Due to COVID-19, which led to the closure of most factories and bakeries in January and February, overall consumption of flour decreased. However, this period saw increased consumption of family-sized packaged flour for both bread and Chinese style wheat foods, including dumplings and steamed buns.

TRADE

2020/21 wheat imports are forecast at 4.5 million tons, 500,000 tons higher than USDA's March estimates for 2019/20 as the government has reportedly encouraged higher utilization of the TRQ.

Since China's 2001 accession to the World Trade Organization, it has never filled the annual TRQ despite conducive world wheat prices and market conditions. In MY 2018/19, China only imported 3.1 million tons of wheat. Private users, which are eager to import more good quality, competitively priced high- and low-protein wheat, have complained for years about the 10 percent private allocation.

In March 2020, at least three Chinese importers received 301-tariff exclusion approvals. However, many millers have already used up their 2020 TRQ with Australian or Canadian wheat. Southern flour mills reported that they have been importing wheat from Canada, France, Lithuania and Australia, at reasonable prices, since July 2019. In late March, USDA reported sales of 340,000 tons of hard red winter to China during 2020/21, the first purchase of HRW since the end of 2017.

There is almost no discussion of increased exports of Chinese wheat, given that it is not price competitive. Given the global spread of COVID-19 and possible impacts on food supply, there is a potential for exports for food aid to rise.

STOCKS

2020/21 ending stocks are forecast to jump to nearly 165 million tons, up 13.5 million tons from USDA's March estimates for 2019/20, on larger production and slow demand. Industry estimates put China's social wheat reserve (all reserves, including the state reserve) at 134 million tons at the end of 2019. China's national wheat reserve played an important role in stabilizing market prices during the COVID-19 epidemic, which brought production constraints and logistical barriers, pushing up wheat prices. Since February 3, Sinograin has launched 67 special session rotation wheat auctions on-line, with more than 1.2 million tons of wheat sold to stabilize markets.

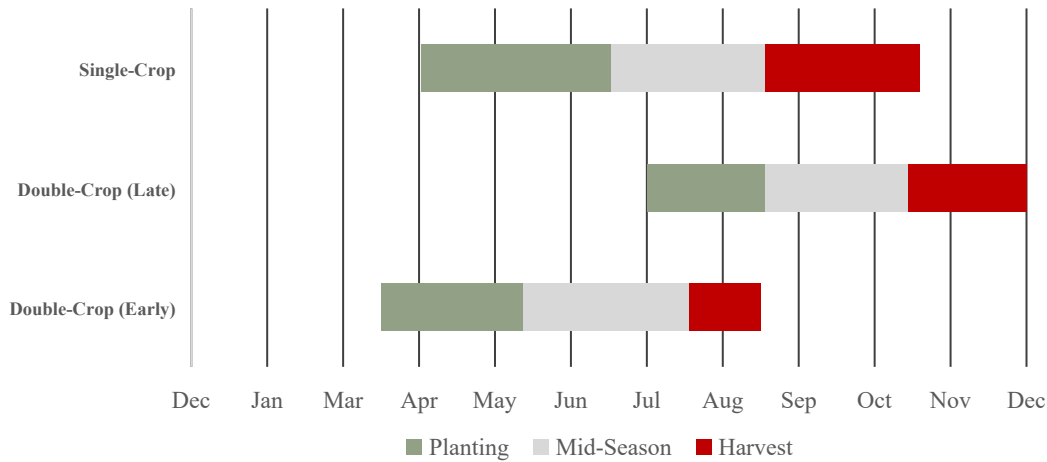
Rice

PRODUCTION

2020/21 rough rice production is forecast at 212.9 million tons, up 3.3 million tons from USDA's March estimates for 2019/20, based on higher area.

The COVID-19 epidemic has had little impact on rice planting, as southern and central provinces started rice planting in March, when the situation in those areas was mostly stabilized. Northern rice planting will start in April.

Rice Crop Calendar



Note: For more information regarding China's crop calendars, please see [here](#).

Based on an industry spring planting intention survey, northeast rice area is estimated to remain stable. Industry estimates indicate that average 2020/2021 profits for Japonica rice in Heilongjiang province will be 424.5 RMB per mu, attributed mainly to higher yield and unit price. Industry sources expect subsidies to remain at 120 yuan per mu. A major rice research platform will be built in Heilongjiang with a total investment of about 90 million RMB (\$13 million) to promote the upgrading of the rice industry in the northern part of the country.

According to a MARA preliminary planting intentions survey, the spring planting area will be around 60 million hectares, 200,000 hectares lower than last year, mainly due to early Indica rice area reduction. MARA data showed 2019/20 double-cropping rice area was down from 2018/19 by about 2.3 million hectares, among which early Indica rice area was down by 1.2 million hectares. Data from the China National Grain and Oils Information Center (CNGOIC) show southern, eastern and central early rice producing areas saw 2019/20 rice area down by more than 400,000 hectares from 2018/19. In response, on February 18 China's State Council announced temporary subsidy measures to encourage farmers to switch back to double-cropping rice. For example, Guangxi province has put forward a subsidy of 800 yuan per mu for growers who plant "early Indica + late Indica (or corn or vegetable) + potato" this year, for planted area above 50 mu.

In the last few years, China's rice policy has mainly focused on destocking via decreased area, increased fallow area, lower MSP, and increased exports. The government had embraced the decline in double-cropping of rice because the early-season crop is shunned by consumers, requires a lot of labor and water, and is unprofitable for most farmers. According to industry sources, the recent policy reversal in favor of double-cropping is based on three primary reasons: 1) the COVID-19 outbreak sparked panic buying of rice in some southern provinces, raising food security worries among Chinese officials, 2) the government wants farmers in Hubei province, the COVID-19 epicenter, to remain on their farms rather than going to cities and potentially exacerbating the epidemic; and 3) concerns about reduced global

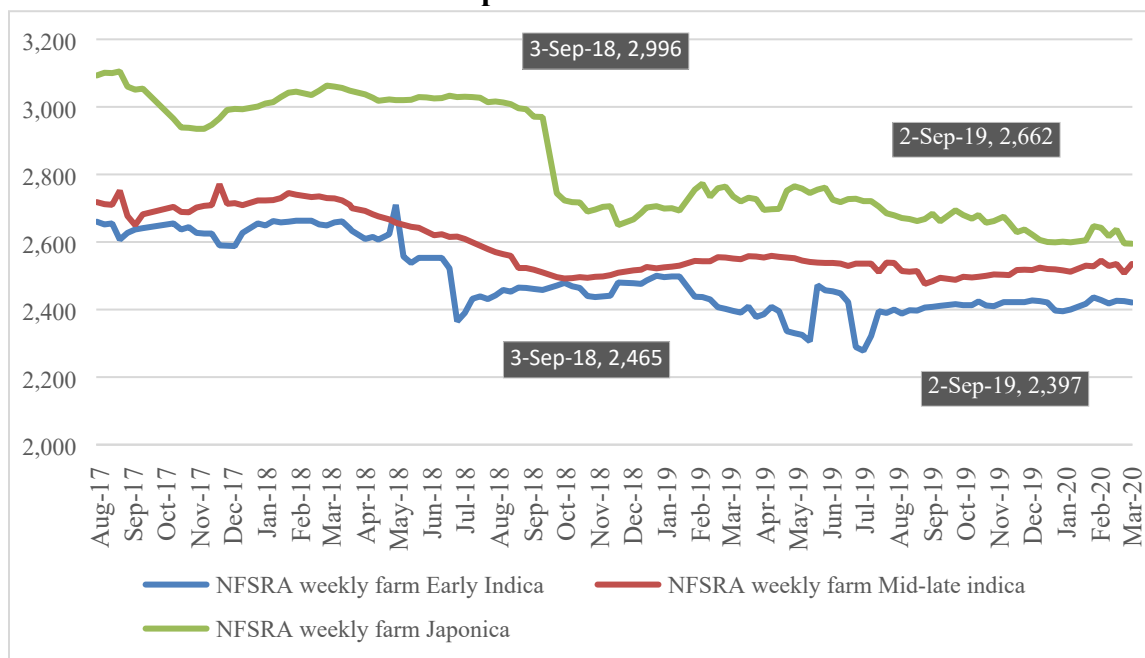
grain production, possible international grain export bans, and rocketing prices. In late March, Vietnamese rice prices reach a 16-month record high, while Thai 5% broken-rate rice reached the highest price since August 2013.

CONSUMPTION

2020/21 rice consumption is forecast at 150 million tons, up 7.1 million tons from 2019/20 as higher FSI use offsets lower food use. Industry sources speculate that over 6 million tons of old rice stocks will be auctioned to corn processing plants in 2020, at a price of no more than 850 RNB per ton. JCI estimates that more than 50 million tons of China’s MSP rice reserves are not suitable for human consumption, among which more than 30 million tons will go to corn deep processing or feed mills.

2019/20 rice consumption is estimated at 145 million tons, 2.1 million tons more than USDA’s March estimates. The National Grain Trade Center (NGTC) sold more than 4 million tons of low-priced old rice stocks via special session auctions at the price of around 1,600 RMB per ton, mainly in the second half of 2019. Industry sources estimate that China used 10 million tons of old rice for deep processing in 2019 and consumed 2.8 million tons of old rice to produce ethanol in 2018.

2019 Japonica Rice Prices Fall



Note: Weekly farm price; Source: NFSRA

TRADE

2020/21 rice imports are forecast at 2.2 million tons, down 200,000 tons from 2019/20 on government policies to recover early Indica rice production. Exports are forecast at 3.5 million tons, up 300,000 tons from 2019/20 on increased competitively priced commercial shipments and food aid, facilitated by more domestic availability based on continued rice stock auctions.

China is turning to Pakistan and Myanmar to fill the gap left by less imports from Vietnam. GACC data show the country imported 2.55 million tons of rice in 2019, down 17.2 percent. The first quarter of 2020 is forecast to have seen less rice imports due to COVID-19 epidemic control measures and the depreciation of the Chinese currency. With rice mills resuming production following the epidemic, rice prices are expected to return to normal in the second quarter of 2020.

According to an industry report, China expanded its export of medium-to-short grain rice in 2019, mainly to Egypt, Turkey, North Korea, and South Korea. China is expected to maintain robust exports in 2020 to liquidate its huge inventory. The price of China's exports of medium-to-short grain milled rice was a little higher than \$300 per ton, which is the average price of its auctioned old stock.

STOCKS

2020/21 ending stocks are forecast at 113.6 million tons, down 4.4 million tons from 2019/20 as more exports and industrial consumption offset a production increase.

On February 28, NDRC announced it will continue the MSP program in the major rice producing regions in 2020. The subsidy requires the government to buy rice from farmers at the minimum price when the market price drops below that level. The State Council approved an MSP of 2420 RMB per ton (3rd class) for early Indica rice, 2540 RMB per ton for mid-to-late Indica rice, and 2600 RMB for japonica rice. The Indica (long grain) minimum prices were raised by 20 RMB per ton from 2019, the first increases in minimum prices since 2014. The japonica (medium grain) price remain unchanged.

In a separate "Notice on Improving Rice MSP Policy" issued on the same date, NDRC for the first time set a total MSP ceiling which caps the volume it can buy from farmers under MSP each year. For 2020, the ceiling is set at 50 million tons, including 20 million tons of Indica and 30 million tons of japonica rice. The first 45 million tons can be purchased from any of the eligible provinces, but the final 5 million tons will be allocated among provinces based on unspecified needs criteria. The ceiling is much higher than the actual MSP volume in past years. Industry reports indicate that China only procured about 15 million tons of rice via the MSP in 2019.

China's Rice MSP Changes 2015-2020 (in RBM per ton)			
Year	Early Indica	Mid-to-Late Indica	Japonica
2015	2,700	2,760	3,100
2016	2,660	2,760	3,100
	-40		
2017	2,600	2,720	3,000
	-60	-40	-100
2018	2,400	2,520	2,600
	-200	-200	-400
2019	2,400	2,520	2,600
2020	2,420	2,540	2,600
	+20	+20	

According to industry reports, China auctioned off 12 million tons of MSP rice in 2019, close to a record high level, but still held close to 100 million tons of rice stocks at the end of 2019. To protect farmers amid the COVID-19 epidemic, the government increased the MSP for Indica rice and extended the rice MSP for one month, to March 31, in the northeast. The central government also called on local governments to be financially responsible for launching a provincial temporary reserve program when necessary. However, these policies may be temporary measures due to the epidemic, and destocking is expected to continue to be the main trend over the next 2-3 years. Since 85 percent of the existing rice stock is japonica, the government did not raise the MSP for japonica, and the country's future destocking will mainly focus on japonica.

APPENDIX

Countries with Bilateral Phytosanitary Protocols (in China)

Note: Countries with Bilateral Phytosanitary Protocols are permitted to export grains (new additions in *italics*)

Wheat	Australia, Canada, France (except for the Rhone-Alps region), Hungary, Kazakhstan, Mongolia, Russia (all districts), United Kingdom, United States, Serbia
Corn	Thailand, United States, Peru, Laos, Argentina, Russia, Ukraine, Bulgaria, Brazil, Cambodia, South Africa, Hungary, Kazakhstan, Uruguay
Barley	Argentina, Australia, Canada, Denmark, France, Finland, Mongolia, Kazakhstan, <i>Russia</i> , United Kingdom, Ukraine, Uruguay
Sorghum	Argentina, United States, Australia, Myanmar and <i>Nigeria</i>
Paddy Rice	Russia
Milled Rice	Cambodia, India (both Basmati and Non-Basmati) Japan, Laos, Myanmar, Pakistan, Thailand, Uruguay, Vietnam, Taiwan, United States

Source: China Customs

Production, Supply, and Distribution Tables

Corn Market Begin Year China	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42129	42129	41280	41280	0	41200
Beginning Stocks	222525	222525	210319	216319	0	214069
Production	257330	257330	260770	260770	0	250000
MY Imports	4483	4483	7000	6000	0	7000
TY Imports	4483	4483	7000	6000	0	7000
TY Imp. from U.S.	319	0	0	0	0	0
Total Supply	484338	484338	478089	483089	0	471069
MY Exports	19	19	20	20	0	20
TY Exports	19	19	20	20	0	20
Feed and Residual	191000	184000	190000	180000	0	190000
FSI Consumption	83000	84000	89000	89000	0	90000
Total Consumption	274000	268000	279000	269000	0	280000
Ending Stocks	210319	216319	199069	214069	0	191049
Total Distribution	484338	484338	478089	483089	0	471069
Yield	6.1081	6.1081	6.3171	6.3171	0	6.068
(1000 HA), (1000 MT), (MT/HA)						

Sorghum	2018/2019	2019/2020	2020/2021
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Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Harvested	720	720	750	710	0	710
Beginning Stocks	105	105	58	58	0	218
Production	3450	3450	3600	3400	0	3400
MY Imports	652	652	1300	1500	0	2000
TY Imports	652	652	1300	1500	0	2000
TY Imp. from U.S.	628	0	0	0	0	0
Total Supply	4207	4207	4958	4958	0	5618
MY Exports	49	49	40	40	0	40
TY Exports	49	49	40	40	0	40
Feed and Residual	1500	1500	2000	2000	0	2700
FSI Consumption	2600	2600	2700	2700	0	2800
Total Consumption	4100	4100	4700	4700	0	5500
Ending Stocks	58	58	218	218	0	78
Total Distribution	4207	4207	4958	4958	0	5618
Yield	4.7917	4.7917	4.8	4.7887	0	4.7887
(1000 HA), (1000 MT), (MT/HA)						

Barley Market Begin Year China	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	263	263	260	260	0	260
Beginning Stocks	107	107	45	45	0	45
Production	957	957	900	900	0	900
MY Imports	5181	5181	6500	6500	0	6000
TY Imports	5181	5181	6500	6500	0	6000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6245	6245	7445	7445	0	6945
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	2400	2400	3600	3600	0	3000
FSI Consumption	3800	3800	3800	3800	0	3800
Total Consumption	6200	6200	7400	7400	0	6800
Ending Stocks	45	45	45	45	0	145
Total Distribution	6245	6245	7445	7445	0	6945
Yield	3.6388	3.6388	3.4615	3.4615	0	3.4615

(1000 HA), (1000 MT), (MT/HA)

Wheat Market Begin Year China	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24268	24268	23730	23730	0	24000
Beginning Stocks	131196	131196	139765	139765	0	151255
Production	131430	131430	133590	133590	0	135000
MY Imports	3145	3145	4000	4000	0	4500
TY Imports	3145	3145	4000	4000	0	4500
TY Imp. from U.S.	45	45	0	0	0	0
Total Supply	265771	265771	277355	277355	0	290755
MY Exports	1006	1006	1100	1100	0	1000
TY Exports	1006	1006	1100	1100	0	1000
Feed and Residual	20000	20000	21000	18000	0	17000
FSI Consumption	105000	105000	107000	107000	0	108000
Total Consumption	125000	125000	128000	125000	0	125000
Ending Stocks	139765	139765	148255	151255	0	164755
Total Distribution	265771	265771	277355	277355	0	290755
Yield	5.4158	5.4158	5.6296	5.6296	0	5.625
(1000 HA), (1000 MT), (MT/HA)						

Rice, Milled Market Begin Year	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Harvested	30189	30189	29690	29690	0	30200
Beginning Stocks	109000	109000	115000	115000	0	115930
Milled Production	148490	148490	146730	146730	0	149000
Rough Production	212129	212129	209614	209614	0	212857
Milling Rate (.9999)	7000	7000	7000	7000	0	7000
MY Imports	3000	3000	2400	2400	0	2200
TY Imports	2600	2600	2300	2300	0	2100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	260490	260490	264130	264130	0	267130
MY Exports	2770	2770	3200	3200	0	3500
TY Exports	2720	2720	3400	3400	0	3700
Consumption and Residual	142720	142720	142930	145000	0	150000
Ending Stocks	115000	115000	118000	115930	0	113630
Total Distribution	260490	260490	264130	264130	0	267130
Yield (Rough)	7.0267	7.0267	7.0601	7.0601	0	7.0482
(1000 HA), (1000 MT), (MT/HA)						

Attachments:

No Attachments