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Report Highlights:

China's overall feed demand and consumption are down though not as dramatically as expected with the reduction in the swine herd due to African Swine Fever. Losses have been offset by increased feed demand for other animal proteins, namely poultry, eggs, and aquaculture, all of which are expanding production. Domestic production of most grains remain steady with a slight increase in both corn and wheat production due to increased yields. Stocks of all commodities remain high due to slowing auction purchases of state reserves. While optimism exists in the wake of the U.S.-China Phase One Trade Deal with China's pledge to import more U.S. agricultural products including grain and feed, these purchases have yet to materialize. However, other barriers such as China's Tariff Rate Quotas and competition from both domestic production and imports from other nations will present challenges for U.S. products.

Note: January 2020’s Update compares estimates and forecasts to September 2019’s Update for marketing years 2017/18, 2018/19, and 2019/20 (except for barley which is compared to April’s Annual). FAS-Beijing projections do not represent official USDA forecasts.¹

POLICY

China’s State Council Issues “Food Security in China” White Paper

In October 2019, China’s State Council issued a White Paper stating China has achieved self-reliance in its food supply and must continue to do so. The paper specified China will maintain a grain planting area over 110 million hectares and overall grain production capacity of above 600 million tons. By 2022, it will complete the development of 66.67 million hectares of high-quality farmland, and by 2035, overall grain planting area will stabilize. The White Paper also prioritizes development of tubers, legumes, and miscellaneous grain crops in accordance with local growing conditions. Crop varieties emphasized will include high and low gluten wheat, high-quality rice, silage corn, specialty corn, and both high-oleic and high-protein soybeans. Full text of the paper can be found [here](#).

MY2019/20 Grain Production Estimates Published

On December 6, the National Bureau of Statistics (NBS) published MY2019/20 estimates for grain production, including barley area and production.

MY2019/20 China Grain Acreage, Production and Yield

	Acreage (Million Hectares)	Change from MY2018/19	Total production (million tons)	Change from MY2018/19	Yield (ton/hectare)	Change from MY2018/19
Grain	116.064	-0.8%	663.84	0.9%	5.720	1.8%
Rice	29.694	-1.6%	209.61	-1.2%	7.059	0.5%
Wheat	23.727	-2.2%	133.59	1.6%	5.630	4.0%
Corn	41.284	-2%	260.77	1.3%	6.316	3.4%

FEED DEMAND

China’s 2019/20 feed and residual forecasts in total are down more than five million tons from 2018/19, or one percent. Overall feed demand is expected to decline as domestic swine inventories remain weak due to African Swine Fever (ASF).

¹ The global Trade Year (TY) for the follow grains is as follows: Corn, Sorghum, and Barley (October – September), for example, TY 2019/20 represents imports or exports from October 2019 to September 2020; Wheat TY 2019/20 is July 2019 through June 2020; Rice TY 2019/20 is January 2020 through December 2020). Marketing Year (MY) is determined by (1) Country and (2) Commodity.

Industry estimates the swine herd has declined by between 40-60 percent since ASF was first detected in China in August 2018. A leading feed producer estimates ASF could cut demand for feed by 25 per cent this year, which would wipe out at least 23 million tons of corn consumption. Hog shortages have doubled pork prices and surged profits by more than 700 percent resulting in producers raising heavier hogs and increasing production capacity at all cost.

The Ministry of Agriculture and Rural Affairs (MARA) reported in November that sow inventories realized the first month-on-month increase since April 2018. Both sow and hog inventories recovered by 4 percent and 2 percent, respectively, from the previous month. November swine feed production continued to rise by 6.9 percent from October, showing consecutive growth for the 3rd month. In a November 2019 briefing, MARA announced that swine production will show recovery in the first half of 2020, and pork supply will increase beginning in the second half of 2020. For more information on China's livestock situation, please see GAIN Report [CH19035](#).

Meanwhile, the supply shortfall of pork has stimulated production of other protein sources including poultry, aquaculture, and ruminants. MARA data shows broiler slaughter, egg production, and milk production increased by 15.5 percent, 6.1 percent, and 5.6 percent from the previous year. National Bureau of Statistics (NBS) data also lists beef and mutton production increased by 3.2 percent and 2.3 percent in the first 9 months of 2019. Industry estimates that the increase in poultry feed is estimated to offset 65 to 70 percent of the hog feed loss. In general, Post forecasts feed production in 2019/2020 will fall moderately further from the previous low-level year.

China's 2019 Feed Production by Breed Q1-Q3						
	Swine	Layers	Broiler	Aquaculture	Ruminants	Others
Q1 Increase (%)	-12.6	9.7	9.8	7.5	1.7	-0.9
Q2 Increase (%)	-16.3	8.6	13.3	5.5	5.6	45
Q3 Increase (%)	-40.8	9.7	17.4	-2.9	10	50.3

Source: MARA

FAS Beijing Feed and Residual Estimates and Forecasts (Million Metric Tons)

Grain	2018/19	2019/20	Change
Corn	180.0	175.0	-5.0
Sorghum	1.6	1.1	-0.5
Barley	2.4	3.6	1.2
Wheat	20.0	19.0	-1.0
Total	204	198.7	-5.3

Feed Grains

PRODUCTION

Corn

Production in 2019/2020 is adjusted based on NBS data to 260.8 million tons, up 3.4 million tons from last year as a result of better yields. Industry estimates production area to be down 3 percent from last year while soybean area is up by 15 percent as a result of government subsidy programs which incentivize conversion of existing farmland from corn to soybean planting. Northeastern provinces especially Heilongjiang, the largest corn producing province, endured typhoons and rainstorms before harvest, pushing down its yield by more than 15 percent and quality by 1 to 1.5 class. The production is adjusted up from Post's September estimate, as the fall armyworm epidemic was not as widespread in 2019/20 and impacted mostly three southwest provinces with less than 5 percent production loss.

Sorghum

Production in 2019/20 is unchanged from the previous report at 3.4 million tons. Sorghum sales in Northeast China mostly concluded in December. New-crop sorghum was priced at roughly 2,500 RMB (\$360USD) per ton (Chifeng spot price) in mid-December, slightly higher than the same period last year.

Barley

Production in 2019/20 is revised lower from April's Annual report to 900,000 tons reflecting the most recent NBS data. China's domestic crop accounts for a small percentage of domestic consumption.

CONSUMPTION

Corn

Consumption for 2019/20 is unchanged at 264 million tons. Feed demand remains below the previous year, and the FAS-Beijing forecast for total consumption remains below the USDA official forecast.

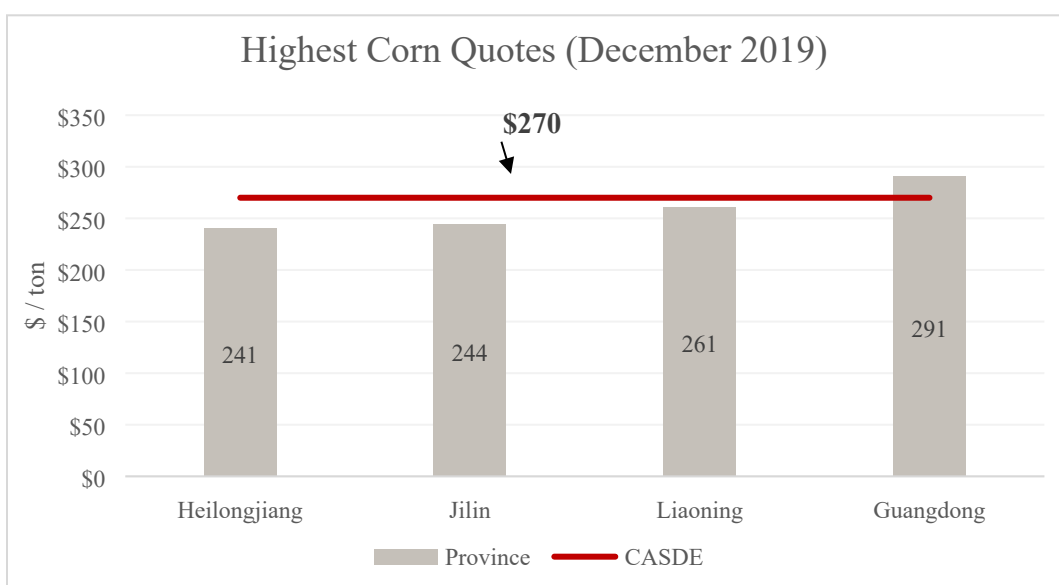
Feed consumption accounts for more than 60 percent of China's annual total corn consumption.

MARA's October data showed both live pig and sow inventories a continued year-over-year (year-over-year) declining trend, down 41 and 38 percent, respectively. Dramatic hog profits and government support policies encouraged farmers to raise larger hogs and companies to re-stock and accelerate expanding production capacity.

MARA's November industry feed survey data shows China's overall feed production for the 3rd quarter 2019 is down by 9.5 percent, industry estimates expansion in poultry and other feed will offset 65 to 70 percent of the hog feed loss.

Consumption growth for FSI (Food, Seed, and Industrial) processing (i.e., ethanol, processed products, etc.) is expected for 2019/20, but at a slower pace than 2018/19. Overall ethanol production increased to 4 million tons as cassava ethanol is gradually exiting the market as is replaced by corn ethanol. In addition, corn starch and citric acid production are running at very little capacity. 2018/19 FSI consumption is adjusted down by 1 million tons due to suspension of production at an ethanol plant in early 2019.

Corn prices have continued to decrease since harvest. Farmers are holding on to stocks expecting the price to start to rise. Pre-Spring Festival (this year in late January) is the traditional peak for corn sales, corn supply is adequate as storage conditions are unfavorable. The 2018 auctioned corn may fill in the gap of 2019 corn supply as hog numbers begin to recover.



Note: CASDE's corn price range in August'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 2019/20 consumption forecast remains at 3.8 million tons. Feed demand is not expected to recover until the end of 2020.

Barley

The 2019/20 barley consumption forecast is up 1.2 million tons with larger imports. Roughly half of China's barley consumption is expected for feed, while the remainder is projected to be disbursed amongst FSI, with the domestic beer industry as the predominant consumer. Food and beverage processing is expected to grow in 2019/20 with rising domestic beer consumption, production, and exports.

The 2018/19 consumption forecast is also down because of lower-than-expected demand for imported feed barley.

TRADE

Corn

Imports for 2019/20 are unchanged at 6.0 million tons. Despite higher domestic production compared with September's report, demand for foreign supplies is expected to surpass the previous year due to attractive prices from major exporters, particularly Ukraine.

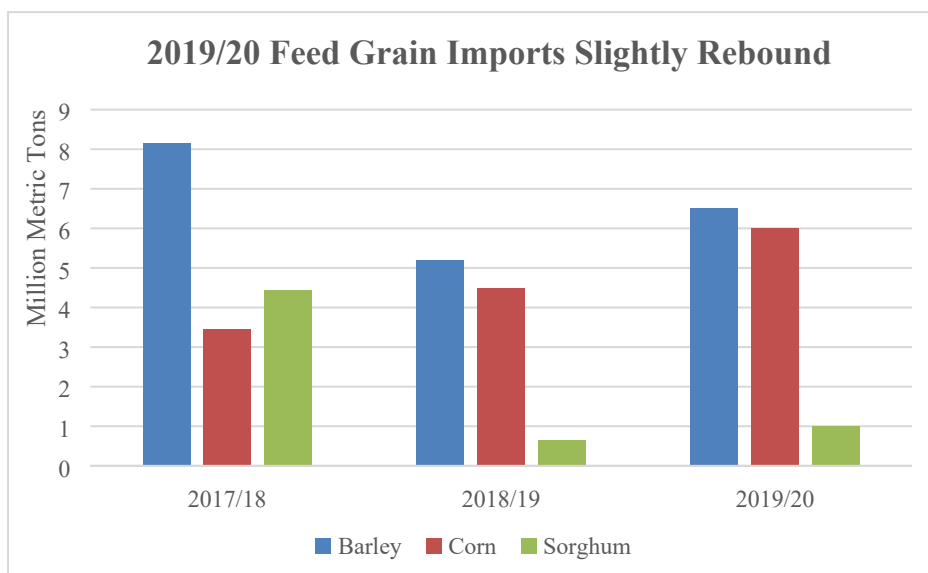
Sorghum

Imports for 2019/20 are adjusted back to 1 million tons due to competitive U.S. sorghum prices and importers booking 123,000 tons of U.S. sorghum in November. This was the first purchase since the end of August.

More than 80 percent of China's imported sorghum came from the U.S. prior to China imposing retaliatory tariffs on U.S. sorghum.

Barley

Imports for 2019/20 are adjusted higher to 6.5 million tons, reflecting large purchases during Oct-Dec 2019 period from Canada and France. Imports from Australia sharply declined amid lower exportable supplies and ongoing investigation. China announced in November an extension to an anti-dumping investigation on imports of Australian barley by another six months to be completed by May 19, 2020. Reported by some traders as politically motivated, the probe will further damage barley trade between the two countries, which has already suffered from the year-long investigation.

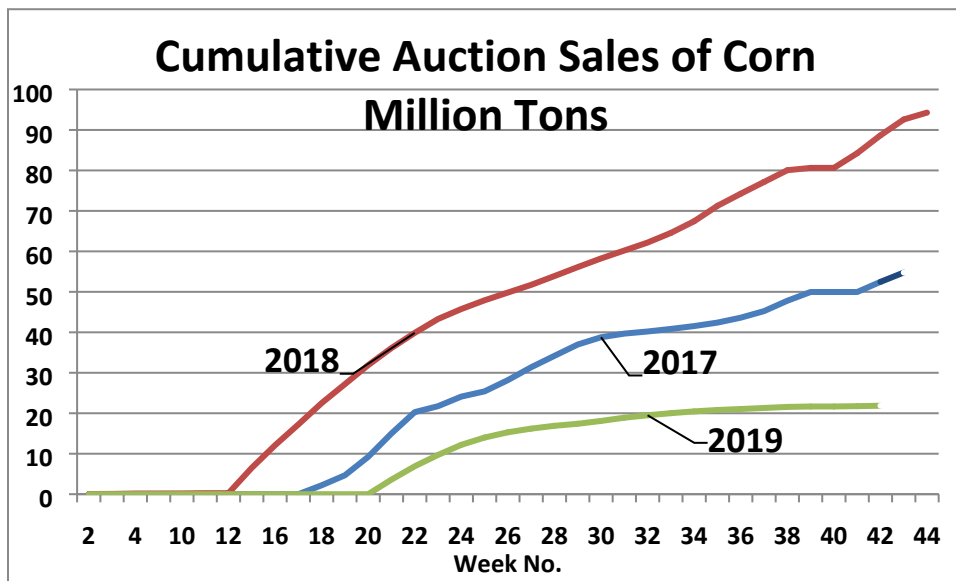


STOCKS

Corn

Stocks in 2019/20 are forecast up over 11.5 million tons from the last report amid a larger domestic crop. Greater uncertainty concerning domestic feed demand and reserve-quality concerns have driven down auction purchases at state reserve sales.

China's 2019 corn auctions wrapped up on October 17. From May 23 to October 17, 21 auctions were conducted, 80.6 million tons of corn were offered for sale, down 137.4 million tons from last year; of which only 21.9 million tons of corn were sold this year, down 78.2 million tons year-over-year. The pace was much slower compared to the sales volume of more than 100 million tons in 2018. The overall clearance rate of corn auctions this year was only 27 percent. China has been cutting down its massive corn reserves through state auctions since 2014 and earlier this year, MARA predicted that 2019 is likely to see the last round of destocking in China. Industry estimates that by the end of this year's auctions, China has an estimated 58 million tons of temporary state corn reserves, of which 56 million are 2015 crop corn and 54 percent of the reserves are stored in Heilongjiang. Industry reported that half of the corn auctioned last year has not yet entered distribution.



Source: China National Grain Trade Center

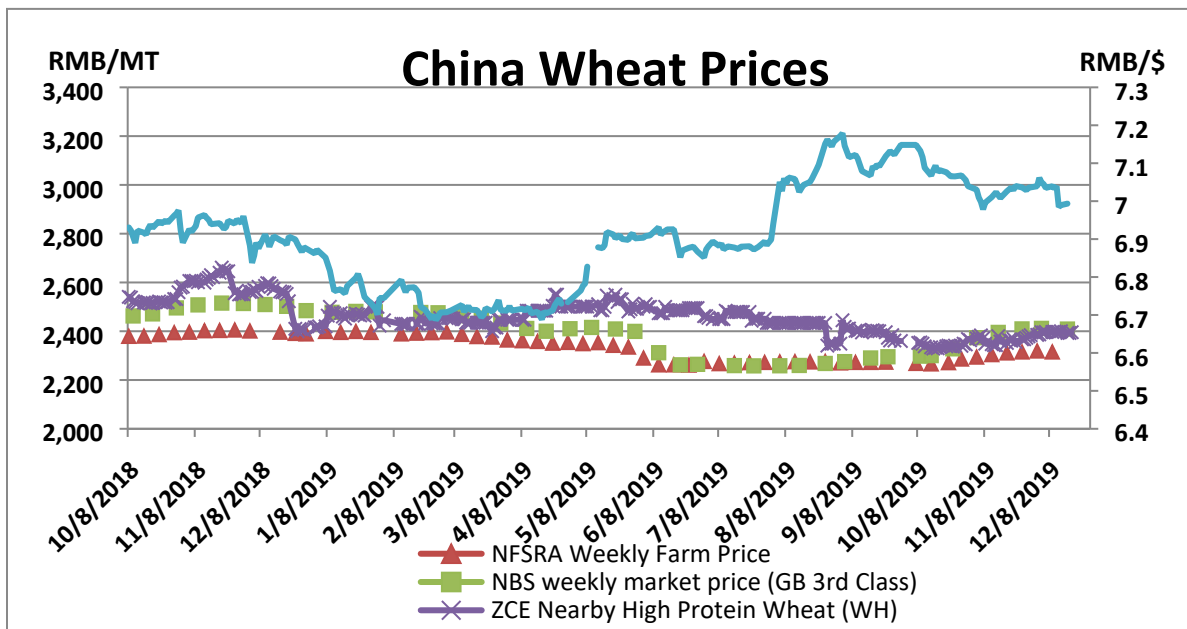
Major Food Grains

Wheat

PRODUCTION

Wheat production in 2019/20² is adjusted up by 1.6 million tons based on NBS data at 133.5 million tons, a bumper harvest in both quantity and quality. 2020/21 winter wheat planting in the major production regions was completed by mid-November. On October 8 2019, MARA held a meeting on Autumn/Winter planting work, drawing a red line of 22 million hectares for minimum wheat planting area for MY 2020/21. Both high and low protein wheat planting area is set to increase by two percent.

The 2020 January contract price³ for wheat on the Zhengzhou Commodity Exchange is lower relative to December 2018.⁴ Prices settled at around 2,395 yuan (\$345.23USD) per metric ton in the middle of the month, roughly 180 yuan (\$25.95USD) lower compared to the same period in 2018. As of December 18, 2019, industry data reported the average spot price for all kinds of domestic wheat at 2,391 yuan (\$344.65USD), and the Zhengzhou contract settled was 2,396 (\$345.37) on the same date.⁵ The Zhengzhou contract is labeled as “strong gluten wheat of high quality” and demands a higher price relative to common wheat.



² Marketing Year is July through June.

³ Settlement price.

⁴ The Zhengzhou wheat contract is labeled as “Strong Gluten Wheat of High Quality” and Grade 3 or higher conforming to “National Standard of the People’s Republic of China” (GB 1351-2008). Futures trading for rice and other grains remains restricted to Chinese nationals.

⁵ China’s 2019 Minimum Support Price (MSP) was set at 2,240 yuan per metric ton.

CONSUMPTION

Consumption in 2019/20 remains unchanged from the September report. Industry reported that China's snack food consumption, including wheat-based products such as bread and cookies, started to pick up in 2015 with an average annual increase of 20 percent. China's total market size for snack food in 2020 is expected to increase by 30 percent.

TRADE

Imports in 2019/20 is adjusted up by 500,000 tons as the government reportedly has encouraged higher utilization of the TRQ.

According to China Customs data, MY2019/20 China imported 975,000 tons of wheat, down 2.3 percent year-over-year.

In 2019/20, China bought 130,000 tons of U.S. white wheat in October, the first large purchase of U.S. wheat since the trade dispute began.

STOCKS

On October 12, NDRC announced that China will continue the Minimum Support Price (MSP) program in the major wheat producing regions in 2020. The 2020 wheat (3rd class) MSP was set at \$320 (2240 RMB) per ton, which remains unchanged from 2019. The 2020 MSP policy was announced one month earlier than last year, while MY2020/21 winter wheat planting is underway in major production areas.

In a separate "Notice on Improving Wheat MSP Policy" issued on the same date, NDRC for the first time, set a total MSP ceiling which caps the volume it buys from farmers under MSP. The volume is set at 37 million tons for 2020. The notice stated the move was aimed at making further improvements to the grain minimum price purchasing. However, the ceiling is much higher than the actual yearly MSP purchase volume. Official data shows by September 25, 2019, China procured more than 68 million tons of wheat, of which only about 20 million is via MSP.

The temporary reserve program with an MSP policy is blamed for leading to the sky-high stockpile of China's grain reserves and elevation of domestic prices far above international levels. The Chinese government now has urgency to liquidate its massive wheat stocks and had been doing so through expediting wheat procurement and storage reform through lowering wheat production area, revising down MSP, and lowering auction bottom prices over the past two years.

Along with the impact of these steps in 2018, 2019 saw a bumper wheat harvest. Wheat prices in 2019 have continued to drop since June and was about 6 percent lower year-over-year December.

On October 9, the National Grain Trade Center (NGTC) resumed the MSP wheat auction which was suspended on July 11, 2019 without further lowering auction bottom prices. During 2019, the government has lowered the auction bottom price by 60-120 RMB (\$8-17USD) per ton (depending on

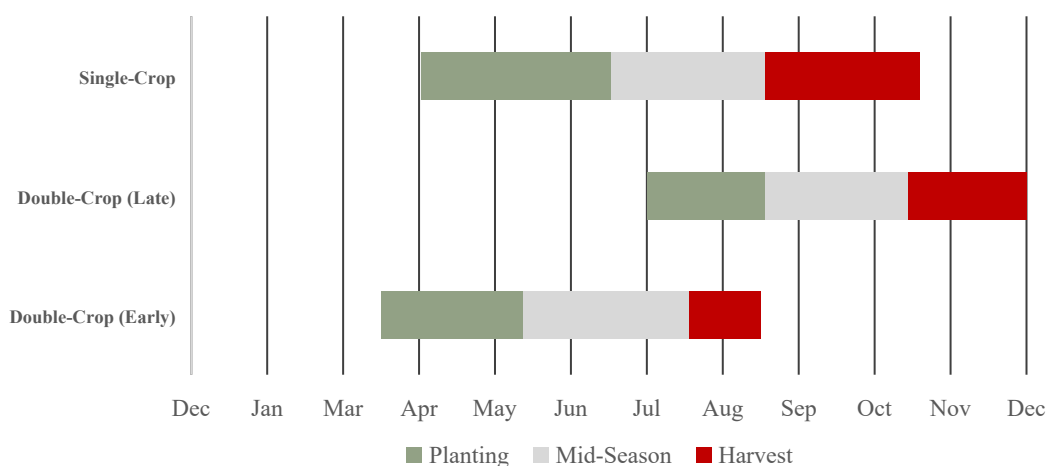
year and quality class), but stock liquidation has not met expectations. With low auction rates and no other effective way to liquidate them, stocks remain high.

Rice

PRODUCTION

Milled rice production in 2019/20⁶ is adjusted up slightly by 700,000 tons based on NBS data to 146.7 million tons. China finished harvesting the Late Double-Crop in late October and Single-Crop in early December.

Rice Crop Calendar



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

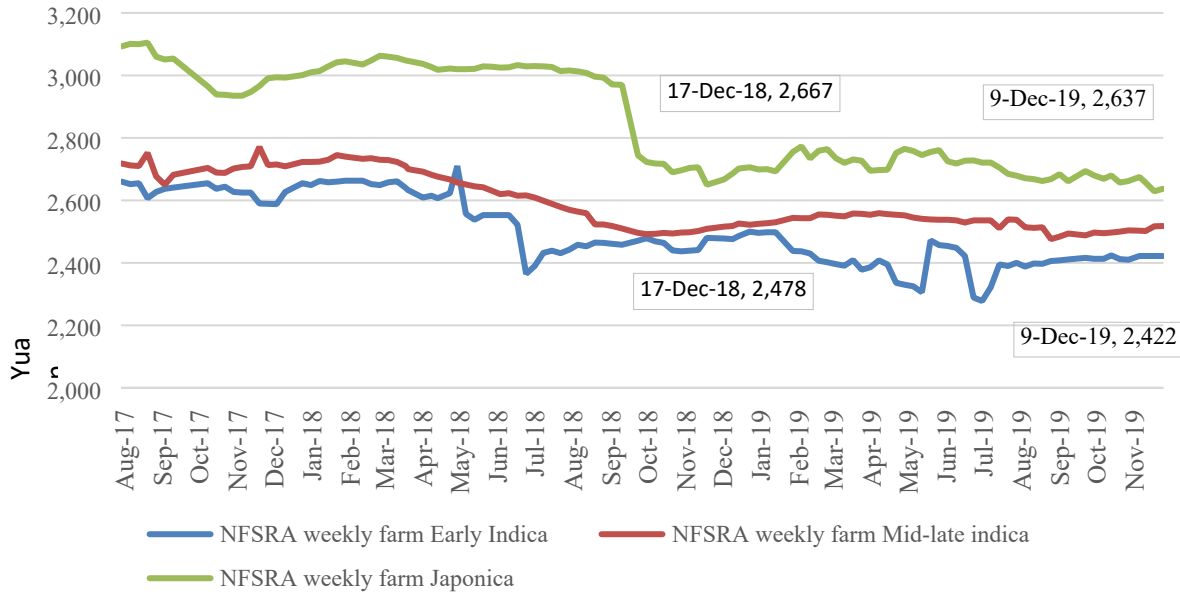
Domestic rice prices are lower relative to last year despite a smaller crop and slower procurement progress. The strong facilitation and auctioning of domestic rice reserves is believed to have kept prices relatively low. But imported rice is still very competitively priced in the Chinese market.

According to a Chinese rice industry report, rice produced by companies above a certain size totaled 105.8 million tons in 2018, up 4.08 percent year-over-year, and will continue to rise in the upcoming few years. High-end rice, such as organic rice production is about 11.6 million tons, with a compound annual growth rate of 21 percent.

⁶ Marketing Year (MY) for China is July – June. Trade Year (TY) for global rice trade is January – December. The Rice Production, Supply, and Demand (PSD) table for China's 2019/20 TY (pg.12) represent imports and exports from January 2020 to December 2020, and 2019/20 MY signifies trade from July 2019 to June 2020.

2019 Japonica Rice Prices Fall

Note: Weekly farm price; Source: NFSRA



CONSUMPTION

The 2019/20 and 2018/19 rice consumption and residual forecast remain unchanged from USDA December estimates.

There was speculation that the 2013-14 crop state reserve offered in “special session” auctions with prices as low as 1500-1600 RMB (\$215-\$230USD) will replace corn in the industrial processing and feed market. However, industry reports that the cost of this “special session” rice-based ethanol is still higher than corn-based ethanol, the rice-based DDGs is also 700-800 RMB (\$100-115USD) per ton higher than corn based DDGs. The industry also reported limited amount of “special session” rice entering the feed market. Some rice producers indicated that the low-priced rice will end up in the food market as blending rice.

TRADE

Marketing Year (MY)⁷ and Trade Year (TY)⁸ imports in 2019/20 are estimated at 2.7 million tons. Exports are unchanged. Demand for foreign supplies amid ongoing auctions of reserves is also expected to go down. Auction prices continued to be attractive to domestic buyers and the percentage sold (of quantity offered) has been robust.

⁷ July 2019 – June 2020

⁸ January 2020 – December 2020

China Customs data showed China exported 2.5 million tons of rice and imported 2.1 million tons of rice in 2019, up 40 percent and down 25 percent respectively from same time period last year.

STOCKS

China's auction of old-crop rice reserves in 2019 has been attractive for domestic buyers and resulting in strong selling rates (ratio of rice purchased to rice offered) since 2019. Following 2018 policies, the government once again lowered the state reserve rice auction bottom price in 2019. The 2015 indica and japonica rice auction prices were lowered by 400-600 yuan (\$57-\$86USD) per ton 2013-2014 and 2016-2017 indica and japonica rice auction prices were adjusted down by 100-200 yuan (\$14-\$29USD) and 100-300 (\$14-43USD) yuan per ton respectively. Newly set specific session indica and japonica rice prices were only 1500 and 1600 yuan (\$215 and \$230USD) per ton respectively, lower than corn prices. As a result, from January 1 to December 6, the NGTC auctioned out more than 12.4 million tons of rice, 4 million more than the annual total sales record in 2017.

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, and Uruguay,
Sorghum	Argentina, United States, Australia, and Myanmar
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

Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Harvested	42399	42399	42129	42129	41280	41280
Beginning Stocks	223017	223017	222525	222525	211319	220319
Production	259071	259071	257330	257330	260770	260770
MY Imports	3456	3456	4483	4483	7000	6000
TY Imports	3456	3456	4483	4483	7000	6000
TY Imp. from U.S.	308	308	319	0	0	0
Total Supply	485544	485544	484338	484338	479089	487089
MY Exports	19	19	19	19	20	20
TY Exports	19	19	19	19	20	20
Feed and Residual	187000	187000	190000	180000	189000	175000
FSI Consumption	76000	76000	83000	84000	89000	89000
Total Consumption	263000	263000	273000	264000	278000	264000
Ending Stocks	222525	222525	211319	220319	201069	223069
Total Distribution	485544	485544	484338	484338	479089	487089
Yield	6.1103	6.1103	6.1081	6.1081	6.3171	6.3171
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Harvested	506	675	720	720	750	710
Beginning Stocks	147	147	105	370	58	170
Production	2465	3200	3450	3450	3600	3400
MY Imports	4436	4436	652	650	900	1000
TY Imports	4436	4436	652	650	900	1000
TY Imp. from U.S.	3863	3922	628	0	0	0
Total Supply	7048	7783	4207	4470	4558	4570
MY Exports	43	43	49	50	40	40
TY Exports	43	43	49	50	40	40
Feed and Residual	4500	5200	1500	1600	1700	1100
FSI Consumption	2400	2600	2600	2650	2700	2700
Total Consumption	6900	7800	4100	4250	4400	3800
Ending Stocks	105	370	58	170	118	730
Total Distribution	7048	8213	4207	4470	4558	4570
Yield	4.8715	4.7407	4.7917	4.7917	4.8	4.7887
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley Market Begin Year	2017/2018	2018/2019	2019/2020
	Oct 2017	Oct 2018	Oct 2019

China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
	Area Harvested	330	330	263	263	260
Beginning Stocks	178	178	107	107	45	45
Production	1085	1085	957	957	900	900
MY Imports	8144	8144	5181	5181	6500	6500
TY Imports	8144	8144	5181	5181	6500	6500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9407	9407	6245	6245	7445	7445
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5500	5500	2400	2400	3600	3600
FSI Consumption	3800	3800	3800	3800	3800	3900
Total Consumption	9300	9300	6200	6200	7400	7400
Ending Stocks	107	107	45	45	45	45
Total Distribution	9407	9407	6245	6245	7445	7445
Yield	3.2879	3.2879	3.6388	3.6388	3.4615	3.4615

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

Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Harvested	24508	24508	24268	24268	23730	23730
Beginning Stocks	114929	114929	131196	131195	139765	139768
Production	134334	134334	131430	131430	133590	133590
MY Imports	3937	3936	3145	3149	3200	3500
TY Imports	3937	3936	3145	3149	3200	3500
TY Imp. from U.S.	774	774	45	45	0	0
Total Supply	253200	253199	265771	265774	276555	276858
MY Exports	1004	1004	1006	1006	1100	1300
TY Exports	1004	1004	1006	1006	1100	1300
Feed and Residual	17500	17500	20000	20000	21000	19000
FSI Consumption	103500	103500	105000	105000	107000	108000
Total Consumption	121000	121000	125000	125000	128000	127000
Ending Stocks	131196	131195	139765	139768	147455	148558
Total Distribution	253200	253199	265771	265774	276555	276858
Yield	5.4812	5.4812	5.4158	5.4158	5.6296	5.6296

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

Rice, Milled Market Begin Year	2017/2018	2018/2019	2019/2020
	Jul 2017	Jul 2018	Jul 2019

China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30747	30747	30189	30189	29690	29690
Beginning Stocks	98500	98500	109000	109000	114550	114550
Milled Production	148873	148873	148490	148490	146730	146730
Rough Production	212676	212676	212129	212129	209614	209614
Milling Rate (.9999)	7000	7000	7000	7000	7000	7000
MY Imports	5500	5500	2800	2800	2400	2700
TY Imports	4500	4500	2400	2400	2400	2700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	252873	252873	260290	260290	263680	263980
MY Exports	1386	1386	2770	2770	3300	3300
TY Exports	2058	2058	3000	3000	3500	3500
Consumption and Residual	142487	142487	142970	142970	143000	143000
Ending Stocks	109000	109000	114550	114550	117380	117680
Total Distribution	252873	252873	260290	260290	263680	263980
Yield (Rough)	6.917	6.917	7.0267	7.0267	7.0601	7.0601
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments