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Report Name: Oilseeds and Products Update

Country: China - Peoples Republic of

Post: Beijing

Report Category: Oilseeds and Products

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Report Highlights:

China's soybean imports for 2019/20 are forecast at 80 million tons, unchanged from the September update, due to the continuing impact of African Swine Fever on China's hog and sow inventories, and the resulting reduction in soybean meal demand for feed. The herd decline is expected to continue well into 2020, with skyrocketing live hog prices and swine producer profits pointing to a tight supply of hogs in the market. Soybean oil imports for 2019/20 are forecast up from the high level in 2018/19 based on lower soybean crushing for both years, while both palm oil and sunflower seed oil imports are also forecast to increase in 2019/20 to meet China's growing demand for vegetable oils. The soybean production forecast is revised slightly downward to 17 million tons, due to unfavorable weather conditions in China's primary soybean-producing region during the growing-season months of August and September.

Note: October's update compares estimates and forecasts to the September [update](#) for marketing years 2017/18, 2018/19, and 2019/20. The term Post refers to FAS-Beijing projections and does not represent official USDA forecasts.

2019/20¹

PRODUCTION

Soybeans

The soybean production forecast is revised slightly downward to 17 million tons, due to unfavorable weather conditions in China's primary soybean-producing region during the growing-season months of August and September. Excessive rainfall and inadequate sunshine in the Northeast provinces of Heilongjiang and Inner Mongolia adversely affected soybean growth, pod-bearing and maturation, leading to lower than anticipated yields. According to the Ministry of Agriculture and Rural Affairs (MARA), the soybean harvest in the Northeast was about one week later than average. On the other hand, growing-season weather conditions in the secondary soybean area of Anhui, Henan, and Hubei provinces were favorable, resulting in above average yields and crop quality in that region.

Other Oilseeds

There are no significant changes to the forecasts or estimates for rapeseed, peanut, cotton seed or sunflower seed production compared to the September [update](#).

CONSUMPTION

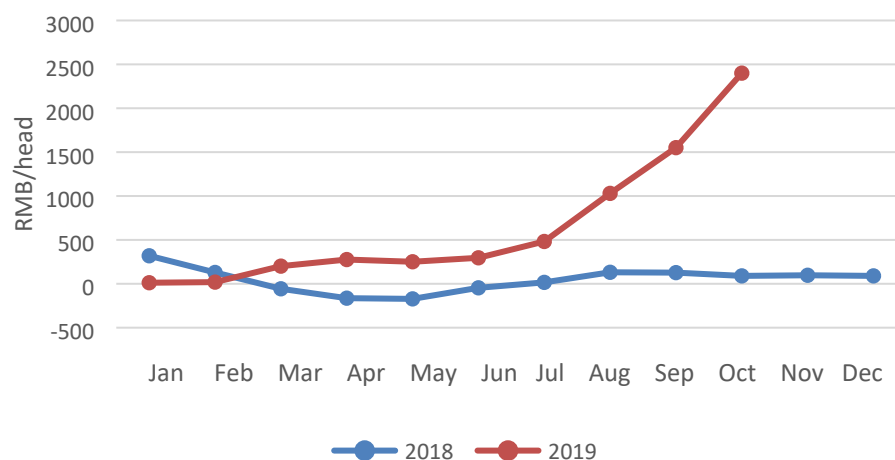
Feed Demand

The impact of African Swine Fever (ASF) continues, with MARA data indicating a continuing downward trend in sow and hog inventories, down by 39 and 41 percent, respectively, this September compared to September of 2018. The rate of the year-on-year decline slowed slightly between August and September, as compared to the rate of decline from June to August. However, it is too early to assess whether the steep downward trend is leveling off, and the herd decline is expected to continue well into 2020.² Concurrently, live hog prices and swine producer profits continue to rise, indicating the dwindling supply of hogs in the market. The live hog price reached an average of RMB36 (\$5)/Kg in mid-October, more than double the price at the start of 2019. Likewise, swine producer profits surged to around 2,400 RMB (\$343)/head in mid-October, compared to around 1,000 RMB (\$143)/head in late August. The highest producer profits hit RMB3,000 (\$428)/head in Guangdong and Fujian Provinces.

¹ October 2019 – September 2020

² For more information on FAS-Beijing China Livestock estimates please see FAS GAIN Report CH19035 [here](#).

Figure 1: Hog Profits (Monthly Average)

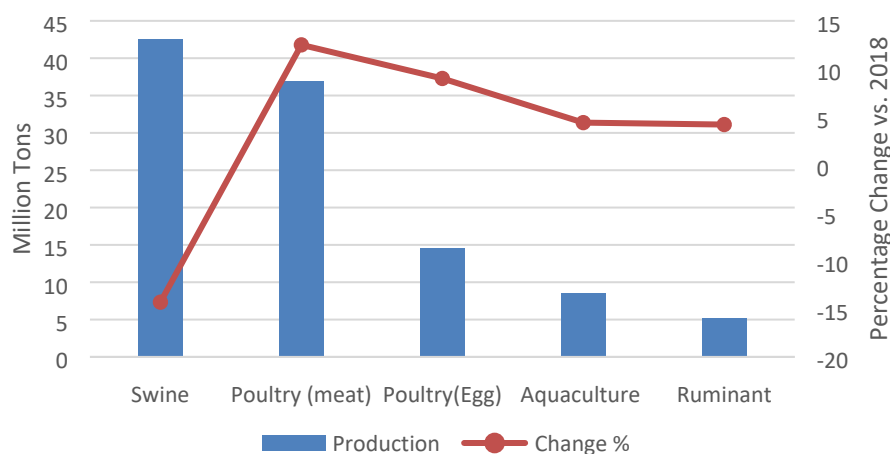


Source: China JCI; data for October 2019 is price on the 2nd week of October

In October, MARA's National Animal Husbandry Extension Center released an updated estimate for compound feed production during the first half of 2019 of 100.2 million tons, up 0.2 percent from the previous year. The stable compound feed number is partly driven by the government's ban on the use of swill feed since the end of 2018, along with the trend towards raising larger pigs, which demands more compound feed per pig. Nevertheless, the demand for compound feed for piglets, sows, and fattening pigs is lower than in 2018.

At the same time, compound feed for poultry, aquaculture, and ruminants was higher in the first half of 2019 versus 2018. The production of other animal products, including poultry and seafood, continues to expand in order to fill the protein gap left by the tightening pork supply. Industry sources report rising profits for poultry-related companies. During the first 3 quarters of 2019, one large broiler producer earned almost 10 times the profits it had made during the same period of the previous year, while two other poultry producers saw their profits double compared to the previous year. These developments are expected to add to the demand for soybean meal, slightly moderating the effect of the drop in overall feed demand.

Figure 2: Total Feed Production (January – June 2019)

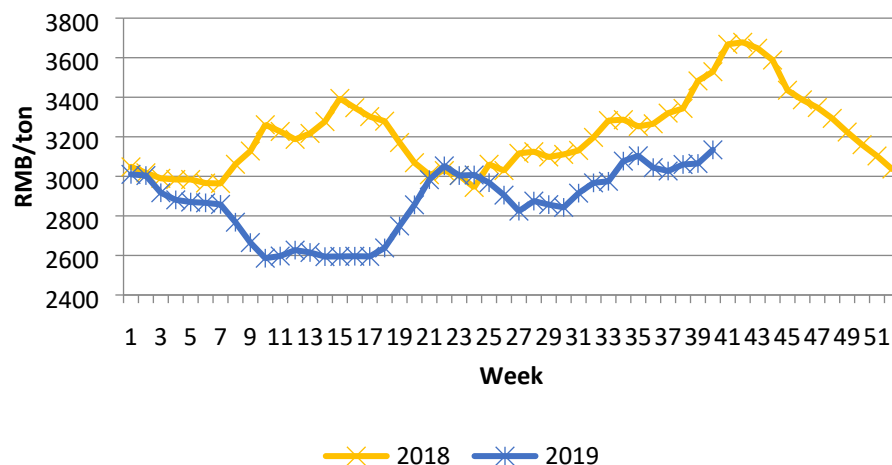


Source: MARA

Soybean Meal Use

Reduced sow and hog inventories will result in continued weak demand for soybean meal (SBM) in 2019/20. This effect will be partially offset by increased feed demand for poultry and other animal protein production, as well as a favorable market price for SBM, which has been significantly lower throughout most of 2019 compared to 2018. SBM feed consumption for 2019/20 is forecast at 62 million tons, down from an estimated 65.7 million tons in 2018/19, and significantly lower than the 69 million tons in 2017/18. These figures are unchanged from September's [update](#).

Figure 3: Soybean Meal Price (Weekly Average)



Source: China JCI

Other Protein Meals

There are no significant changes to the forecasts or estimates for rapeseed meal, sunflower seed meal, or fish meal consumption compared to the September [update](#).

Vegetable Oils

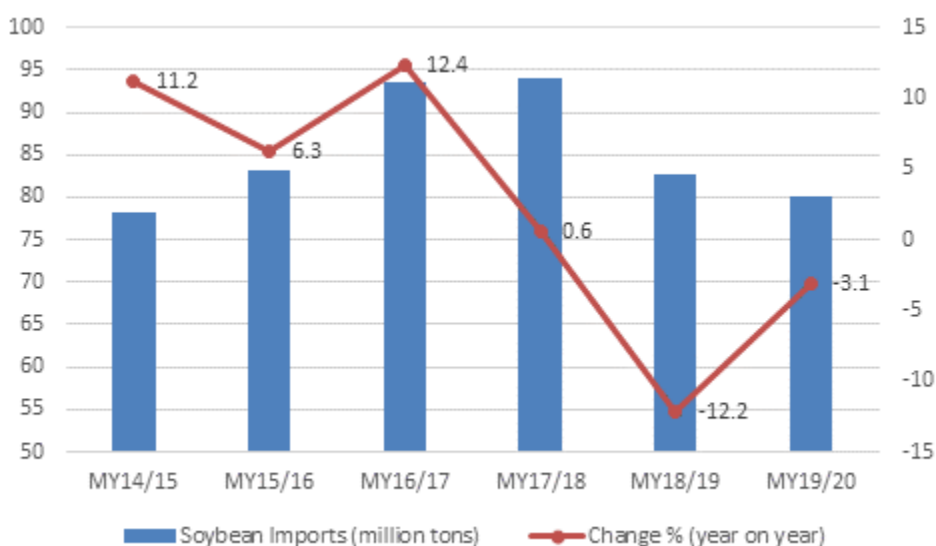
There are no significant changes to the forecasts or estimates for soybean oil, palm oil, or sunflower seed oil consumption compared to September's [update](#).

TRADE

Oilseeds

China's soybean imports for 2019/20 are forecast at 80 million tons, unchanged from the September [update](#), due to the continuing decline of the swine herd and the ensuing impact on SBM demand for feed. Conversely, Chinese government and some Chinese industry sources are bullish, forecasting that SBM demand will recover in 2019/20, driving imports up to between 84 to 89 million tons.

Forecast 2019/20 Soybean Imports Remain Stagnant (Million Tons)



Source: TDM (2014/15 to 2017/18); 2018/19 data is based on preliminary data of China's Customs; 2019/20 data represents Post (FAS-Beijing)'s forecast; Red line matches right axis showing year on year change in %.

There are no significant changes to the forecasts or estimates for rapeseed imports compared to the September [update](#).

Meals

Fish meal imports are expected to increase in 2019/20 to meet increased demand for aquaculture feed. There are no significant changes to the forecasts or estimates for imports of rapeseed meal and sunflower seed meal compared to the September [update](#).

Vegetable Oils

Soybean oil imports for 2019/20 are forecast up further from the relatively high level in 2018/19 based on lower soybean crushing for both years.

Imports of rapeseed oil for 2019/20 are slightly above the previous year's level, while 2018/19 imports are raised amid less domestic crushing.

Both palm oil and sunflower seed oil imports are forecast to increase in 2019/20 to meet China's growing demand for vegetable oils. Palm imports in 2018/19 are adjusted up with stronger-than-expected data to date. Consumers have substituted both palm oil and sunflower oil for soybean oil to compensate for decreased domestic oil supplies. The market for vegetable oils continues to diversify and is expected to witness further growth into 2019/20. With greater market opportunities, both Malaysia and Indonesia have ramped up efforts to promote palm oil in China. Declining palm oil prices have encouraged greater imports and improved the oil's competitiveness in China's diversifying vegetable oil market.

Table 1. Soybeans

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oilseed, Soybean (1000 tons; 1000 Ha)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	8,250	8,250	8,400	8,400	9,100	9,000
Area Harvested	8,245	8,250	8,400	8,400	9,000	9,000
Beginning Stocks	20,120	20,120	23,064	23,281	19,744	19,756
Production	15,283	15,200	15,900	15,900	17,100	17,000
MY Imports	94,095	94,095	83,000	82,600	85,000	80,000
Total Supply	129,498	129,415	121,964	122,381	121,844	116,756
MY Exports	134	134	120	125	125	120
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Food Use Dom. Cons.	12,400	12,100	12,900	12,900	13,400	13,200
Feed Waste Dom. Cons.	3,900	3,900	4,200	4,100	4,300	4,100
Total Dom. Cons.	106,300	106,000	102,100	102,500	102,700	97,800
Ending Stocks	23,064	23,281	19,744	19,756	19,019	18,836
Total Distribution	129,498	129,415	121,964	122,381	121,844	116,756

Table 2. Soybean Meal

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Soybean (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0.792	0.792
Beginning Stocks	0	0	0	0	0	0
Production	71,280	71,280	67,320	67,716	67,320	63,756
MY Imports	23	23	20	18	50	50
Total Supply	71,303	71,303	67,340	67,734	67,370	63,806
MY Exports	1,198	1,198	975	950	900	800
Industrial Dom. Cons.	1,100	1,100	1,150	1,150	1,200	1,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	69,005	69,005	65,215	65,634	65,270	61,806
Total Dom. Cons.	70,105	70,105	66,365	66,784	66,470	63,006
Ending Stocks	0	0	0	0	0	0
Total Distribution	71,303	71,303	67,340	67,734	67,370	63,806

Table 3. Soybean Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Soybean (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Extr. Rate, 999.9999	0.1792	0.1792	0.1792	0.179	0.1792	0.179
Beginning Stocks	670	670	568	568	505	573
Production	16,128	16,128	15,232	15,305	15,232	14,409
MY Imports	481	481	800	800	1,200	1,600
Total Supply	17,279	17,279	16,600	16,673	16,937	16,582
MY Exports	211	211	210	200	150	110
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	16,500	16,500	15,885	15,900	16,287	15,900
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	16,500	16,500	15,885	15,900	16,287	15,900
Ending Stocks	568	568	505	573	500	572
Total Distribution	17,279	17,279	16,600	16,673	16,937	16,582

Attachments: No Attachments