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China, People's Republic of

Oilseeds and Products

Palm Oil Trade Update

1998

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Report Highlights:

Post has cut the MY 1997 estimate for palm oil imports down by 200,000 MT to 1.1 MMT and reduced the MY 1998 forecast by 300,000 MT to 1.2 MMT to reflect the effects of the government's crackdown on smuggling. Translation of a brief article describing market activity for palm oil in Shandong province is also included.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1], CH

Summary

Post has lowered MY 1997 imports of palm oil by 200,000 MT, based on data released by China Customs. Although customs data shows a total of only 892,000 MT of imports, post estimates that a significant amount was smuggled into the country during the first half of the marketing year. Beginning in July however, trade sources indicate that the government's campaign against smuggling reduced such illegal trade to a fraction of previous levels. The combination of the anti-smuggling campaign and tight international supplies for palm oil have conspired to limit imports during the last half of the marketing year. These circumstances are expected to continue to affect imports into the next calendar year: the MY 1998/99 import forecast has been cut by 300,000 tons to reflect this.

The Quota System

Legal imports are governed through a quota system: this year's quota for all vegetable oil was 2 MMT, of which 1.1 MMT was set aside for palm oil and 900,000 MT for other vegetable oils. Quotas are controlled by the State Development and Planning Commission (SDPC) which allocates them to the provincial SDPCs, which then distribute quotas to individual importers and crushing mills. Only six companies are authorized to import vegetable oils, so all companies that wish to buy imported palm oil must go through one of these six as the importing agent.

SDPC does not allocate quotas based on a fixed year: sometimes quotas are announced in January and are valid through the calendar year, and sometimes they are only valid through June. Other times, quotas are not announced until March. Confusing matters even further is the fact that the expiration date for a quota does not refer to the last date when the oil may arrive in China, but rather to the last date on which a company holding a quota can apply to one of the six importers to import vegetable oil for them. Thus vegetable oil imported under a quota that expired in June could arrive in December, so long as the buyer requested the import before the end of June. Some sources have indicated that quotas are sometimes issued in blocks too large for smaller companies to use. Technically, this unused quota amount cannot be passed on to another company, however post has received numerous reports of companies selling unused quotas to other companies. Trade sources expect that the total vegetable oil quota will remain unchanged in CY 1999, though the balance may be altered slightly to favor palm oil less heavily.

Palm Oil Trade in Shandong Province

A translation of an article appearing in Cereal and Oils Market Weekly follows. Though the information is anecdotal in nature, it does provide some insight into the volatility of the palm oil trade at the provincial level. The report of near record palm oil prices since July of this year may in part reflect tighter supplies due to the government's anti-smuggling campaign.

"At the start of 1997 the total supply of palm oil at Weihai port in Shandong was 16,000 MT, with the price having remained stable for 6 months at 7,200-7,250 RMB/MT. By late March the price crept up to 7,300-7,350 RMB/MT as supplies dwindled, but dropped back down to 7,200 RMB/MT in May with the arrival of a 6,000 MT shipment. Imports during August, September and October totaling 10,000 tons caused prices to drift down even further. By January 1998 prices fell to as low as 6,300 RMB/MT immediately prior to the Spring Festival. Prices recovered to 7,500 RMB/MT in February. During the months from March to June, prices continued to

rise each month, reaching 7,800, 8,150, 8,300 and 8,600 RMB/MT, successively. The arrival of a bulk shipment in July caused a brief drop in prices, but the climb resumed in August, when prices hit 8,800 RMB/MT, a near record. Since September, prices have remained high as supplies remain tight. This situation should ease during December as a considerable quantity of imports are expected to arrive in anticipation of the peak-demand Spring Festival season.”

Table 1. Palm Oil: Production, Supply and Distribution

PSD Table						
Country:	China, People's Republic					
Commodity:	Palm Oil					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	ERR	ERR	ERR	ERR	ERR	ERR
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	1142	1142	1300	1100	1500	1200
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1142	1142	1300	1100	1500	1200
MY Exports	70	70	75	33	75	30
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	1072	1072	1225	1067	1425	1170
Feed Waste Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	1072	1072	1225	1067	1425	1170
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1142	1142	1300	1100	1500	1200
Calendar Year Imports	1012	1012	1400	1400	1450	1450
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	80	80	75	40	60	30
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table 2. Palm Oil Monthly Trade

PALM OIL IMPORTS/EXPORTS (MONTHLY, 1996-1998)*						
(METRIC TONS)						
	IMPORTS			EXPORTS		
	1996	1997	1998	1996	1997	1998
JAN	53,623	67,242	29,594	11,675	15,153	3,437
FEB	75,962	45,090	44,429	5,872	8,023	5,882
MAR	84,931	59,734	66,070	4,317	4,257	5,727
APR	105,875	81,218	73,702	11,454	9,328	3,263
MAY	97,302	90,867	45,819	21,940	5,416	4,672
JUN	68,263	103,887	56,971	12,173	11,733	2,586
JUL	99,815	133,160	62,702	19,067	6,183	2,153
AUG	52,158	143,697	102,576	6,862	25,093	4,235
SEP	79,309	110,917	99,824	15,753	6,236	124
OCT	89,013	115,832		6,393	10,578	
NOV	105,013	70,503		25,020	3,484	
DEC	100,893	123,508		19,918	3,538	
JAN-DEC	797,641	1,145,655	581,687	160,444	109,022	32,079
* Import and export numbers in PS&D's may not be the same as PRC Customs statistics, since Post estimates include both official and unofficial trade.						
Source: PRC Customs Statistics						

Table 3. Palm Oil Quarterly Trade

CHINA PALM OIL IMPORTS BY ORIGIN*					
(Oct-Sept 1997/98 by Quarter)					
(metric tons)					
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	OCT97/
	1997	1998	1998	1998	SEP98**
Malaysia	223,269	107,175	139,489	185,664	655,597
Indonesia	79,255	31,364	31,084	65,914	207,617
Vietnam	5,443	1,490	3,098	10,447	20,478
Singapore	1,811	65	1,091	1,306	4,273
Brazil	0	0	1,500	0	1,500
Others	66	0	231	1,771	2,068
Total	309,844	140,094	176,493	265,102	891,533
PALM OIL EXPORTS BY DESTINATION*					
(Oct-Sept 1997/98 by Quarter)					
(metric tons)					
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	OCT97/
	1997	1998	1998	1998	SEP98**
Hong Kong	9,701	3,279	5,449	1,601	20,030
Vietnam	1,498	4,679	1,793	1,899	9,869
Malaysia	4,270	0	0	2,970	7,240
Singapore	0	5,184	0	0	5,184
Philippines	570	1,826	1,417	0	3,813
Taiwan	1,496	0	1,815	0	3,311
Mongolia	36	78	48	40	202
Kazakhstan	30	0	0	3	33
Others	0	0	0	0	0
Total	17,601	15,046	10,522	6,513	49,682
* Import and export numbers in PS&D's may not be the same as PRC Customs					
statistics, since Post estimates include both official and unofficial trade.					
Source: PRC Customs Statistics					
** year-to-date total					