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Falling Hog Numbers Pressure Import Demand for Oilseeds

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Report Highlights:

China's soybean imports are estimated to fall to 84 million metric tons (MMT) in marketing year (MY) 18/19 and 83 MMT in MY19/20, compared to 94.1 MMT in MY17/18. Meanwhile, China's rapeseed imports from Canada are expected to fall by almost 40 percent during the second half of MY18/19 compared to the same period the previous year, due to reported phytosanitary concerns. The sizable decrease in MY18/19 and MY19/20 soybean imports is due to reduced feed demand as a result of African Swine Fever (ASF) in China beginning in August 2018. The disease has caused a significant decline in sow and hog inventories, thereby reducing demand for soybean meal for feed. This situation is expected to continue through 2019 and into 2020. Increased vegetable oil imports in MY18/19 and MY19/20 will fill the gap caused by reduced domestic oilseed crushing.

Executive Summary

China's soybean imports are estimated to fall to 84 million metric tons (MMT) in marketing year (MY) 18/19 and 83 MMT in MY19/20, compared to 94.1 MMT in MY17/18. Meanwhile, China's rapeseed imports from Canada are expected to fall by almost 40 percent during the second half of MY18/19 compared to the same period the previous year, due to reported phytosanitary concerns. The sizable decrease in MY18/19 and MY19/20 soybean imports is due to reduced feed demand as a result of African Swine Fever (ASF) in China beginning in August 2018. The disease has caused a significant decline in sow and hog inventories, thereby reducing demand for soybean meal for feed. This situation is expected to continue through 2019 and into 2020. Increased vegetable oil imports in MY18/19 and MY19/20 will fill the gap caused by reduced domestic oilseed crushing.

Reduced Feed Demand in 2019 and 2020

China's African Swine Fever (ASF) outbreak has led to significant declines in the sow and hog inventories, a trend which is likely to continue in MY19/20. The fall in swine stocks has been accompanied by a drop in feed demand that is projected to continue at least through MY19/20. Swine feed production will be down by an estimated 18.9 MMT in MY18/19, based on a 4.7 MMT reduction in pork production, with the majority of the decrease occurring in the second half of the year. Soybean meal (SBM) feed use will be an estimated 65.6 MMT in MY18/19, down 3.4 MMT from MY17/18, and will drop even further in MY19/20 to 63.6 MMT. China's total compound feed demand will be down by an estimated 14.4 MMT in MY18/19 compared to the previous year. This decrease is based on a decrease in pork production, partially offset by a moderate increase in the production of poultry, eggs, beef, mutton, milk, and cultured seafood products.

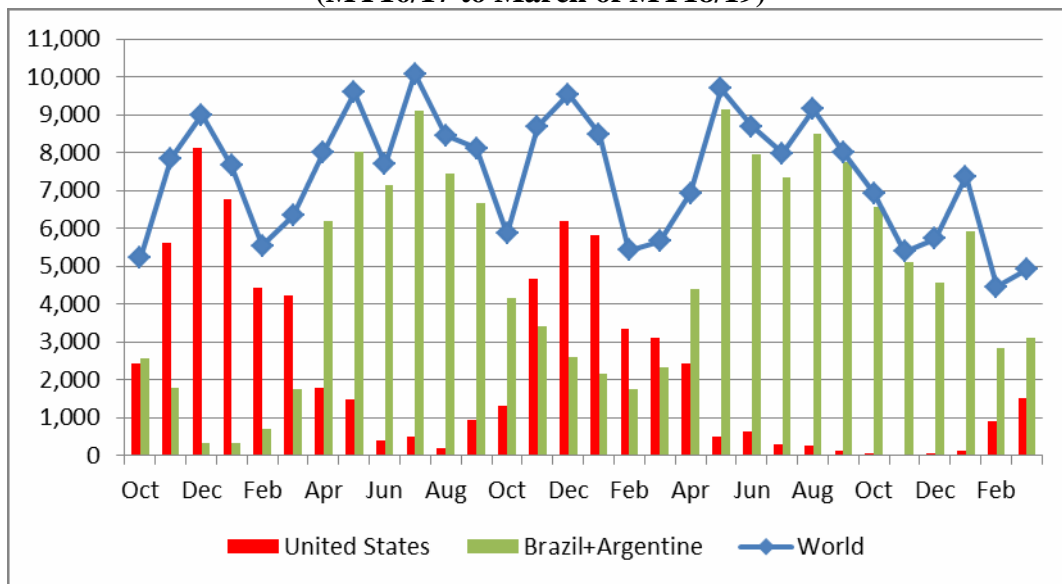
MARA statistics indicate that total feed production reached 228 MMT in 2018, up 2.8 percent from the previous year. Compound feed production was 205 MMT, a 4.6 percent increase over the previous year. The China Feed Industry Association (CFIA) estimated that total feed production will fall in 2019, with swine feed down 6.5 percent, broiler feed up 7 to 8 percent, layer feed up 4 percent and aquaculture and ruminant feed both up slightly. A senior industry analyst projected feed demand to decrease by 11.6 percent in 2019, with swine feed down 27 percent, offset by 5 to 10 percent increases in feed production for broilers, layers, ruminants, and aquaculture.

Lower Soybean Imports in MY18/19 and Beyond

China imported 34.8 MMT of soybeans during the first half of MY18/19, a 7.8 MMT reduction as compared to average imports during the first half of the previous two years. Low imports in the first half of MY18/19 have led to reductions in both the state reserve and industry stocks. It is estimated that soybean imports during the second half of MY18/19 will be below 50 MMT compared to an average of 51 MMT during the same period of the previous two years.

Due to reduced swine feed demand from ASF, China's soybean imports in MY18/19 are estimated at 84 MMT, down more than 10 MMT compared to the previous marketing year. Soybean imports are forecast to fall even further in MY19/20, to 83 MMT.

**Chart 1 – China’s Monthly Soybean Imports by Origins
(MY16/17 to March of MY18/19)**



Source: GTA

Ministry of Agriculture Reports Diminished Sow and Hog Inventories

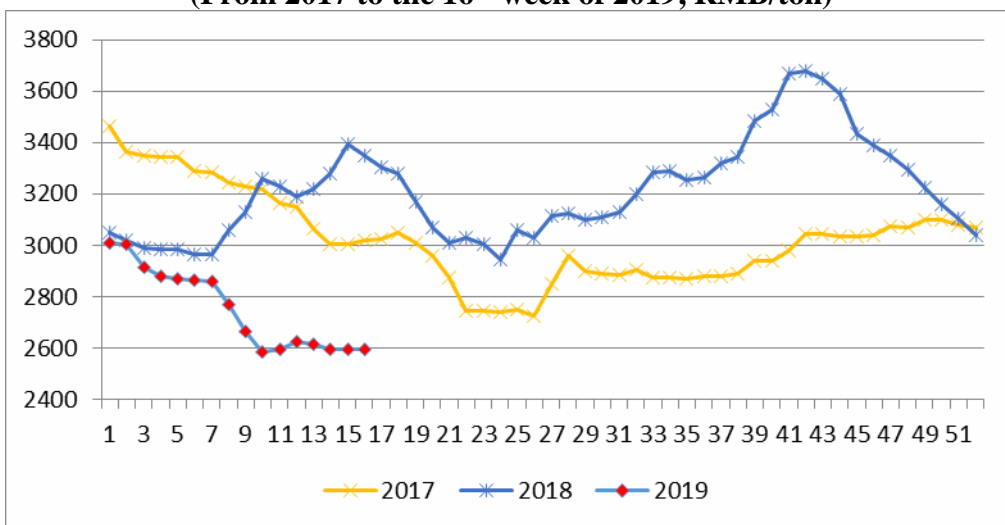
According to the Chinese Ministry of Agriculture and Rural Affairs (MARA), the country’s sow and hog inventories have been declining since August 2018. A recent MARA survey covering 400 counties showed total sow and hog inventories declined in March 2019 by 21 percent and 18.8 percent, respectively, compared to March 2018. The sow inventory decline is the largest decline in the last 10 years. MARA acknowledged that the disease situation remains serious.

Likewise, Chinese industry sources expressed serious concern about the impact of ASF on the swine industry. One industry insider estimated that the hog inventory will decline by 30 percent in 2019 and that it may take one and a half to two years to start to recover. Based on the current Market pigs/Sow/Year (MSY) level and slaughtering weight, an industry source estimated a 20 percent fall in the sow inventory. Many farmers are reluctant to rebuild their swine stocks. For additional information see the [Livestock and Products Semi-annual](#) GAIN report.

Rapeseed Issues Partially Mitigate Reduced Soybean Demand

The soybean meal spot market price has exhibited a falling trend since the beginning of 2019. The price stood at RMB2,596 (or \$390)/ton in the 16th week of 2019, a 5-year low, as Chart 2 indicates.

**Chart 2 - SBM Weekly Spot Price
(From 2017 to the 16th week of 2019; RMB/ton)**

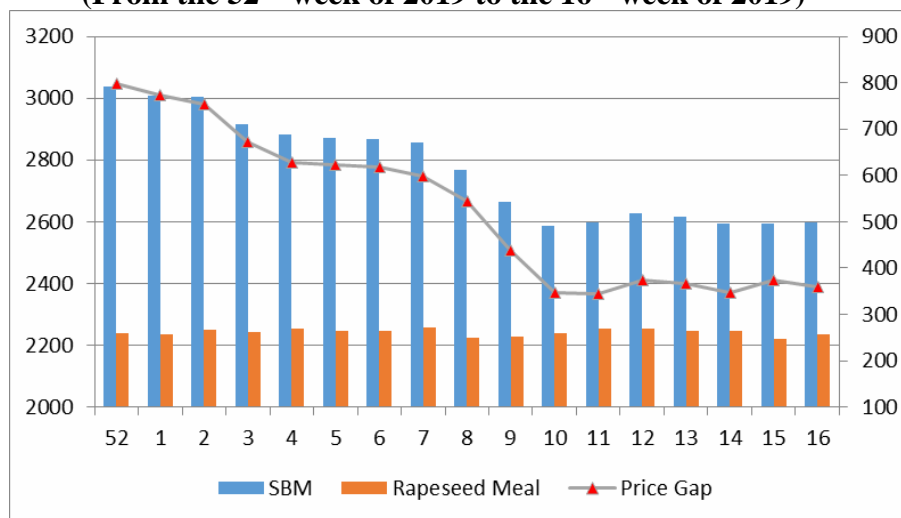


Source: China JCI Consulting Co.

While the SBM price is falling, the price of rapeseed meal remains relatively stable. Therefore, the price gap between SBM and rapeseed meal has narrowed to RMB360 (\$54)/ton, compared to RMB800 (\$120)/ton at the end of 2018 (see Chart 3). In response, Chinese feed mills are reportedly partially replacing rapeseed meal with SBM in feed.

Additionally, China’s rapeseed imports from Canada are expected to fall by almost 40 percent during the second half of MY18/19 compared to the same period of MY17/18, due to reported phytosanitary concerns. In March 2019, China banned two large Canadian rapeseed exporters. Industry leaders report that Chinese importers have stopped signing new contracts for Canadian canola products since late March 2019. China’s imports of rapeseed from Canada are expected to fall to about 4 MMT in MY18/19, down from the 4.7 MMT in MY17/18. Imports of Canadian rapeseed meal are also impacted, with imports down to 0.95 MMT in MY18/19.

**Chart 3 - Price Gap between SBM and Rapeseed Meal Narrows
(From the 52nd week of 2019 to the 16th week of 2019)**



Source: China JCI Consulting Co.

Increased Production and Feed Use for Other Animal Proteins

According to the China National Bureau of Statistics (NBS), China's GDP growth reached 6.4 percent in the first quarter of 2019, supporting continued growth in household income and consumer demand. Chinese demand for animal protein is expected to remain strong. The ASF-related pork supply gap in MY18/19 and MY19/20 will be partly offset by moderate growth in production of other animal products (see Table 1). This growth is expected to drive feed demand, slightly moderating the drop in overall feed demand due to reduced swine feed demand.

**Table 1: Animal Protein Production
First Quarter of 2019 vs First Quarter of 2018 (MMT)**

Products	Pork	Poultry meat	Beef	Mutton	Eggs	Milk	Cultured seafood
Production in 1st Quarter/ 2019	14.6	5.18	1.67	1.04	7.94	6.25	12.63
Change %	-5.2	+2.1	+1.7	+1.4	+2.3	+2	+1.2

Source: NBS

Increased Vegetable Oil Imports to Meet Domestic Supply Gap

Lower soybean and rapeseed imports in MY18/19 will result in a smaller oilseed crush volume, thereby reducing the supply of domestically-produced vegetable oil. This will create opportunities for additional vegetable oil imports, including palm oil, soybean oil, rapeseed oil, sunflower seed oil, and peanut oil.

Palm oil imports will be an estimated 6.1 MMT in MY18/19 and are forecast to surge to 6.5 MMT in MY19/20, up from 5.3 MMT in MY17/18. Palm oil imports reached 3.3 MMT in the first half of MY18/19, up 14 percent over the same period in the previous year. The current low palm oil price is expected to stimulate imports and the increased use of palm oil by the catering industry. Rapeseed oil imports are also expected to increase in the MY18/19 and MY19/20.

Oilseeds PSD Tables

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	8,850	8,400	0	8,700
Area Harvested	8,250	8,250	8,400	8,400	0	8,700
Beginning Stocks	20,663	20,663	23,524	23,824	0	21,224
Production	15,200	15,200	15,900	15,900	0	16,400
MY Imports	94,095	94,095	88,000	84,000	0	83,000
Total Supply	129,958	129,958	127,424	123,724	0	120,624
MY Exports	134	134	125	100	0	100
Crush	90,000	90,000	88,000	85,500	0	82,500
Food Use Dom. Cons.	12,400	12,100	12,900	12,800	0	13,100
Feed Waste Dom. Cons.	3,900	3,900	4,200	4,100	0	4,100
Total Dom. Cons.	106,300	106,000	105,100	102,400	0	99,700
Ending Stocks	23,524	23,824	22,199	21,224	0	20,824
Total Distribution	129,958	129,958	127,424	123,724	0	120,624

Table 2. Rapeseed

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oilseed, Rapeseed (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	0	6,653	0	6,500	0	6,600
Area Harvested	6,653	6,653	6,468	6,500	0	6,600
Beginning Stocks	1,064	1,064	1,203	953	0	753
Production	13,274	13,274	12,850	12,900	0	13,100
MY Imports	4,715	4,715	4,400	4,000	0	4,100
Total Supply	19,053	19,053	18,453	17,853	0	17,953
MY Exports	0	0	0	0	0	0
Crush	17,300	17,500	17,000	16,500	0	16,600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	550	600	550	600	0	600
Total Dom. Cons.	17,850	18,100	17,550	17,100	0	17,200
Ending Stocks	1,203	953	903	753	0	753
Total Distribution	19,053	19,053	18,453	17,853	0	17,953

Meal PSD Tables

Table 3. 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	88,000	85,500	0	82,500
Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0.000	0.792
Beginning Stocks	0	0	0	0	0	0
Production	71,280	71,280	69,696	67,716	0	65,340
MY Imports	23	23	30	30	0	40
Total Supply	71,303	71,303	69,726	67,746	0	65,380
MY Exports	1,198	1,198	900	950	0	600
Industrial Dom. Cons.	1,100	1,100	1,150	1,150	0	1,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	69,005	69,005	67,676	65,646	0	63,580
Total Dom. Cons.	70,105	70,105	68,826	66,796	0	64,780
Ending Stocks	0	0	0	0	0	0
Total Distribution	71,303	71,303	69,726	67,746	0	65,380

Table 4. Rapeseed Meal

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Rapeseed (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	17,300	17,500	17,000	16,500	0	16,600
Extr. Rate, 999.9999	0.590	0.590	0.590	0.590	0	0.590
Beginning Stocks	0	0	0	0	0	0
Production	10,209	10,326	10,032	9,735	0	9,794
MY Imports	1,258	1,258	1,325	950	0	1,000
Total Supply	11,467	11,584	11,357	10,685	0	10,794
MY Exports	14	14	14	15	0	10
Industrial Dom. Cons.	468	450	473	450	0	450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	10,985	11,120	10,870	10,220	0	10,334
Total Dom. Cons.	11,453	11,570	11,343	10,670	0	10,784
Ending Stocks	0	0	0	0	0	0
Total Distribution	11,467	11,584	11,357	10,685	0	10,794

Oil PSD Tables

Table 5. 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	88,000	85,500	0	82,500
Extr. Rate, 999.9999	0.179	0.1792	0.1792	0.179	0	0.179
Beginning Stocks	670	670	568	568	0	662
Production	16,128	16,128	15,770	15,305	0	14,767
MY Imports	481	481	900	1,200	0	1,800
Total Supply	17,279	17,279	17,238	17,073	0	17,229
MY Exports	211	211	125	100	0	100
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	16,500	16,500	16,608	16,311	0	16,529
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	16,500	16,500	16,608	16,311	0	16,529
Ending Stocks	568	568	505	662	0	600
Total Distribution	17,279	17,279	17,238	17,073	0	17,229

Table 6. Rapeseed Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Rapeseed (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	17,300	17,500	17,000	16,500	0	16,600
Extr. Rate, 999.9999	0.390	0.39	0.39	0.39	0	0.39
Beginning Stocks	2,543	2,543	1,741	1,719	0	1,034
Production	6,747	6,825	6,630	6,435	0	6,474
MY Imports	1,067	1,067	1,350	1,300	0	1,500
Total Supply	10,357	10,435	9,721	9,454	0	9,008
MY Exports	16	16	17	20	0	15
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	8,600	8,700	8,404	8,400	0	8,400
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	8,600	8,700	8,404	8,400	0	8,400
Ending Stocks	1,741	1,719	1,300	1,034	0	593
Total Distribution	10,357	10,435	9,721	9,454	0	9,008

Table 7. Palm Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Palm (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
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	307	307	495	495	0	465
Production	0	0	0	0	0	0
MY Imports	5,320	5,320	6,000	6,100	0	6,500
Total Supply	5,627	5,627	6,495	6,595	0	6,965
MY Exports	32	32	30	30	0	30
Industrial Dom. Cons.	2,200	2,200	2,300	2,250	0	2,400
Food Use Dom. Cons.	2,900	2,900	3,865	3,850	0	4,050
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	5,100	5,100	6,165	6,100	0	6,450
Ending Stocks	495	495	300	465	0	485
Total Distribution	5,627	5,627	6,495	6,595	0	6,965