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China - Peoples Republic of

Grain and Feed Update

October Update

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Report Highlights:

Corn production in MY2014/15 is forecast at 214 million tons, down 3 million tons from the previous estimate due to drought in key corn producing regions. Corn imports in MY2014/15 are revised down 500,000 tons to 2.5 million tons. As biotechnology-related trade restrictions continue to disrupt trade, feed mills are responding to high corn prices by importing alternative feed ingredients. Wheat production in MY 2014/15 is forecast at a record 126 million tons while imports are expected to drop sharply to 2 million tons. The forecast for MY 2014/15 sorghum imports is unchanged at a record 4.3 million tons given strong demand for feed alternatives in response to expensive domestic corn.

Post:
Beijing

Executive Summary:

Corn production in MY2014/15 is forecast at 214 million tons, down 3 million tons from the previous estimate due to drought in key corn producing regions. However, corn quality is expected to improve, diminishing the impact on corn supplies. Corn imports in MY2014/15 are revised down 500,000 tons to 2.5 million tons, as biotechnology related trade restrictions continue to disrupt trade and feed mills respond to high corn prices by importing alternative feed ingredients. Wheat production in MY 2014/15 is forecast at a record 126 million tons while imports are expected to drop sharply to 2 million tons. The forecast for MY 2014/15 sorghum imports is unchanged at a record 4.3 million tons given strong demand for feed alternatives in response to expensive domestic corn.

**Wheat
Production**

The forecast for MY2014/15 production is unchanged at 126 million tons due to expected record yields. Wheat quality in MY2014/15 is expected to improve over the previous year based on Post's field survey and industry reports. Higher government price support has encouraged increased wheat planting. Future acreage gains are expected to be limited by rising production costs, including land, labor and irrigation, which offset higher government price support. In its October report, China National Grain and Oils Information Center (CNGOIC) estimated MY14/15 wheat production at 125.3 MMT, unchanged from its September data.

Imports

Wheat imports in MY2014/15 are forecast at 2 MMT, unchanged from USDA's estimate, but a drop of 5 MMT over the previous year in response to forecast record wheat production in MY2014/15. The government is expected to keep tight control over in-quota import permits in MY2014/15, and there are reports that obtaining private sector import permits may become more difficult.

**Corn
Production**

Corn production in MY2014/15 is forecast at 214 million tons, down 3 million tons from the previous estimate due to summer drought damage in major corn producing provinces such as Henan, Inner Mongolia and Liaoning. CNGOIC's October report forecast MY14/15 corn production at 213.8 MMT. Estimated MY2013/14 production is unchanged at 218 million tons.

Despite a drop in production, the overall crop quality in MY 2014/15 is rated as better than the previous year. In regions not affected by drought, most producing provinces reported higher-than-average quality. In comparison, the quality of the record MY 2013/14 crop was negatively impacted by excessive moisture and high temperature in the northeast and a shortage of storage facilities. As a result, some MY 2013/14 corn stocks suffered from mold and were not suitable for feed consumption. This reduced the effective corn supply in MY2013/14 and encouraged industrial use, such as ethanol. As a result, the amount of usable corn in MY2014/15 will likely be similar to the

MY2013/14 level.

Imports

Corn imports in MY2014/15 are revised down 500,000 tons to 2.5 million tons. High support prices have pushed domestic corn prices to RMB 1,000 per ton over the price of U.S. corn landed in Guangdong. However, China's slow biotechnology approval process has restricted imports from the United States and may impact Brazil and Argentina. Feed mills are responding to high domestic corn prices by importing Ukrainian corn, Australian feed barley, U.S. sorghum and Thai cassava. Domestic corn prices are expected to remain high due to government procurement programs. Imports of alternative feed ingredients are forecast to continue to grow in MY2014/15. MY2013/14 imports are revised down slightly to 4.16 million tons on import statistics.

Consumption

Total MY 2014/15 corn consumption is lowered 6 million tons to 214 million tons as high corn prices have hurt feed and industrial demand. As noted above, feed mills are importing other feed ingredients in order to reduce purchases expense domestic corn. Industrial use is also expected to return to MY2012/13 levels after rising in MY2013/14.

Stocks

The forecast for ending stocks in MY2014/15 is raised to a record 79.7 million tons on weaker consumption. The government is expected to continue putting pressure on corn imports as it looks for ways to draw down large and expensive domestic stocks. At the same time, the government is unlikely to allow corn prices to fall enough to allow the market to clear, sustaining strong import demand for alternative feed ingredients.

Rice

Trade Year 13/14 imports are raised 300,000 tons to 3.8 million tons on exporter statistics.

Sorghum

MY2014/15 sorghum imports are forecast at 4 million tons, 300,000 tons higher than MY2013/14, on strong demand for alternative feed ingredients. China recently approved sorghum imports from Argentina, adding another supplier. Sorghum imports from the United States are not expected to increase significantly. The rapid increase in sorghum imports has attracted government attention. Quarantine and inspection officials have reportedly been instructed to strengthen quarantine inspection on sorghum imports. According to Chinese importers and feed mills, some major suppliers are now reluctant to sell to China due to concerns about possible trade disruptions. MY 13/14 sorghum imports are revised slightly lower to a still record 4.16 million tons on import statistics.

MY 2014/15 sorghum consumption is forecast at 6.9 million tons, up 100,000 tons year on year due to strong demand for feed alternatives to expensive domestic corn. Food, seed and industrial (FSI) consumption is forecast to remain flat at 2 million tons as any increased biofuel production is more likely to be met through cassava imports rather than sorghum.

PSD Tables

Wheat

Wheat China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,268	24,268	24,117	24,117	24,100	24,100
Beginning Stocks	55,946	55,946	53,960	53,960	60,274	60,274
Production	121,023	121,023	121,930	121,930	126,000	126,000
MY Imports	2,960	2,960	6,773	6,773	2,000	2,000
TY Imports	2,960	2,960	6,773	6,773	2,000	2,000
TY Imp. from U.S.	1,174	1,174	3,900	3,900	0	0
Total Supply	179,929	179,929	182,663	182,663	188,274	188,274
MY Exports	969	969	889	889	1,000	1,000
TY Exports	969	969	889	889	1,000	1,000
Feed and Residual	25,000	25,000	21,000	21,000	23,000	23,000
FSI Consumption	100,000	100,000	100,500	100,500	101,000	101,000
Total Consumption	125,000	125,000	121,500	121,500	124,000	124,000
Ending Stocks	53,960	53,960	60,274	60,274	63,274	63,274
Total Distribution	179,929	179,929	182,663	182,663	188,274	188,274
1000 HA, 1000 MT, MT/HA						

Corn

Corn China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	35,030	35,030	36,318	36,318	36,800	36,800
Beginning Stocks	59,335	59,335	67,570	67,570	77,435	77,312
Production	205,614	205,614	218,490	218,490	217,000	214,000
MY Imports	2,702	2,702	3,400	3,277	3,000	2,500
TY Imports	2,702	2,702	3,400	3,277	3,000	2,500
TY Imp. from U.S.	2,196	2,196	0	0	0	0
Total Supply	267,651	267,651	289,460	289,337	297,435	293,812
MY Exports	81	81	25	80	100	80
TY Exports	81	81	25	80	100	80

Feed and Residual	144,000	144,000	154,000	154,000	160,000	158,000
FSI Consumption	56,000	56,000	58,000	58,000	60,000	56,000
Total Consumption	200,000	200,000	212,000	212,000	220,000	214,000
Ending Stocks	67,570	67,570	77,435	77,312	77,335	79,732
Total Distribution	267,651	267,651	289,460	289,337	297,435	293,812
1000 HA, 1000 MT, MT/HA						

Sorghum

Sorghum China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	623	623	650	650	670	670
Beginning Stocks	366	366	326	326	516	386
Production	2,556	2,556	2,700	2,700	2,700	2,700
MY Imports	631	631	4,300	4,160	4,300	4,300
TY Imports	631	631	4,300	4,160	4,300	4,300
TY Imp. from U.S.	123	123	0	0	0	0
Total Supply	3,553	3,553	7,326	7,186	7,516	7,386
MY Exports	27	27	10	10	25	25
TY Exports	27	27	10	10	25	25
Feed and Residual	1,200	1,200	4,800	4,800	4,800	4,900
FSI Consumption	2,000	2,000	2,000	2,000	2,100	2,000
Total Consumption	3,200	3,200	6,800	6,800	6,900	6,900
Ending Stocks	326	326	516	386	591	461
Total Distribution	3,553	3,553	7,326	6,826	7,516	7,386
1000 HA, 1000 MT, MT/HA						

Rice Milled

Rice, Milled China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,137	30,137	30,312	30,312	30,600	30,600
Beginning Stocks	45,023	45,023	46,826	46,826	46,699	46,699
Milled Production	143,000	143,000	142,530	142,530	144,000	144,000
Rough Production	204,286	204,286	203,614	203,614	205,714	205,714

Milling Rate (.9999)	7,000	7,000	7,000	7,000	7,000	7,000
MY Imports	3,144	3,144	3,900	3,900	3,700	3,700
TY Imports	3,483	3,483	3,500	3,800	3,700	3,700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	191,167	191,167	193,256	193,256	194,399	194,399
MY Exports	341	341	257	257	350	350
TY Exports	447	447	300	300	350	350
Consumption and Residual	144,000	144,000	146,300	146,300	148,000	148,000
Ending Stocks	46,826	46,826	46,699	46,699	46,049	46,049
Total Distribution	191,167	191,167	193,256	193,256	194,399	193,399
1000 HA, 1000 MT, MT/HA						