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Rice Auction Sales Boom

Report Categories:
Grain and Feed
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Report Highlights:
Corn production in 2019/20 is up 20 million tons from July's projection to 250 million tons, as area harvested and yield are adjusted higher. As of September 5, 2019, corn auction sales were down more than two-thirds compared with the previous year's accumulated total. Wheat consumption in 2019/20 is adjusted up two million tons due to stronger domestic flour production. Government procurement of the 2019/20 wheat crop is up 18 million tons from the previous year due to greater supplies meeting minimum grading standards. Auctioning of rice reserves in 2019 has been attractive for domestic buyers and selling rates (ratio of rice purchased to rice offered) have been robust in this year's second quarter (Apr. – Jun.). Since January 2019, China auctioned nearly 12 million tons of rice from its state-owned inventories, up significantly from the previous year.
Note: September 2019's Update compares estimates and forecasts to July 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]

[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.

POLICY

China Expands Market Access for Russian Soybeans, Wheat, and Barley[2]

On July 29, 2019, the General Administration of China Customs (GACC) reported that all Russian districts have Chinese market access for barley. This announcement follows a similar announcement three days prior which expanded market access for Russian wheat and soybeans.

FEED DEMAND

China's 2019/20 feed and residual forecasts in total are down more than five million tons from the previous year. Overall feed demand is expected to decline amid lower domestic swine inventories due to African Swine Fever (ASF). China's Ministry of Agriculture (MARA) reported in July 2019 that sow and hog inventories declined more than thirty percent from the same month in 2018. MARA's National Animal Husbandry Extension Center reported 2019 (Jan. – Jun.) compound feed production was down marginally from the previous year. Feed for piglets, sows, and fattening pigs was down from the previous the year, however, compound feed catered for other livestock and aquaculture is up. See FAS-Beijing's September 2019 Oilseeds update "China Soybean Meal Use Down to 4-Year Low," for more information.

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	2.8	3.0	0.2
Wheat	20.0	19.0	-1.0
Total	**204.4**	**198.1**	**-6.3**

Feed Grains

PRODUCTION

Corn

Production in 2019/20[3] is up 20 million tons from July's projection to 250 million tons, as area harvested and yield are adjusted higher. However, production remains below the previous year. Several eastern provinces endured a hot and dry summer during critical stages of grain development, and more than half-a-million hectares in Zhejiang and Shandong provinces were adversely affected by Typhoon Lekima. Area is down as favorable government programs supported the substitution of soybean area for corn, and conservation efforts have transitioned corn production to other purposes.

Sorghum

Production in 2019/20[3] is unchanged from the previous report at 3.4 million tons. Harvest began in August as new-crop sorghum was priced at roughly 2,300 RMB per ton (Gaochun spot price) in early September, slightly higher than the same period last year. Prices have not been this high in at least four years. Higher prices are expected to persist with lower supplies relative to last year.

Barley

Production in 2019/20[3] is unchanged from April's Annual report at 1.9 million; China's domestic crop accounts for a small percentage of domestic consumption.

CONSUMPTION

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[2] Please see Appendix on page 11 for more information.

[3] Marketing Year (MY) is October through September.

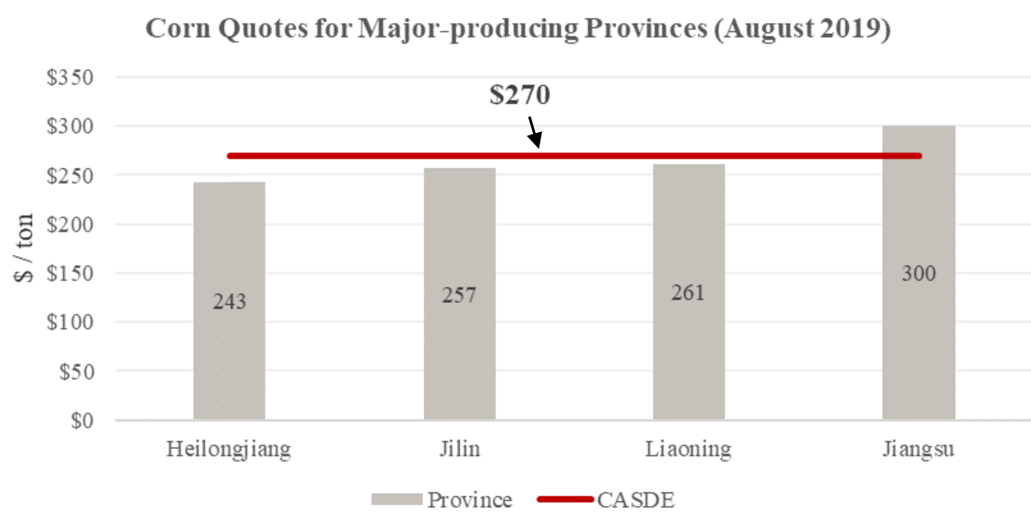
Corn

The 2019/20 consumption forecast is up 5 million tons to 264 million due to stronger-than-expected feed demand for corn and residual amid a larger projected crop. However, feed demand remains below the previous year, and the FAS-Beijing forecast for total consumption remains below the USDA forecast.

Consumption in 2018/19 is adjusted up but the projection remains below the previous year.

Consumption growth for FSI (Food, Seed, and Industrial) processing (i.e. ethanol, corn processed products, etc.) is expected for 2019/20. Corn processed for fuel ethanol is forecast at 9 million tons in CY 2019, about 2 million tons higher than the previous year. For more information, please see GAIN report CH19047 (2019 China Biofuels report).

Despite lower compound feed production in China, robust growth for processing and lower year-over-year corn production are expected to keep domestic corn prices elevated. The chart below depicts the highest quoted corn prices for several provinces in August; the CASDE's (China Agricultural Supply and Demand Estimates) price range for corn in August was 1,800 to 1,900 yuan per ton. When converted to dollars ($=7 yuan), the 1,900 yuan/ton price equates to $270 per metric ton. The resulting prices are up from August 2018 amid the smaller crop.



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 is adjusted lower to 3.8 million tons with feed use expected down.

Marginal growth is expected for greater sorghum inclusion for domestic *baijiu* (distilled spirit). The market for higher-end *baijiu* in China is growing, both domestic consumption and China exports. A *baijiu* with a higher proportion of sorghum (which is substituted for ingredients including corn and cassava) demands a higher price.

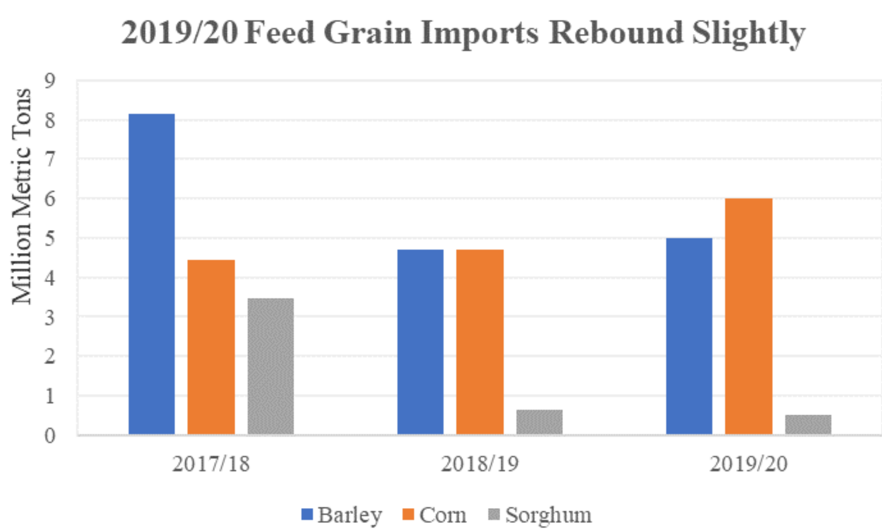
Consumption in 2018/19 is lowered marginally with demand growth in the domestic *baijiu* industry not as strong-as-expected. Sorghum feed demand is projected down year-over-year more than two-thirds, mostly due to lower imports.

Barley

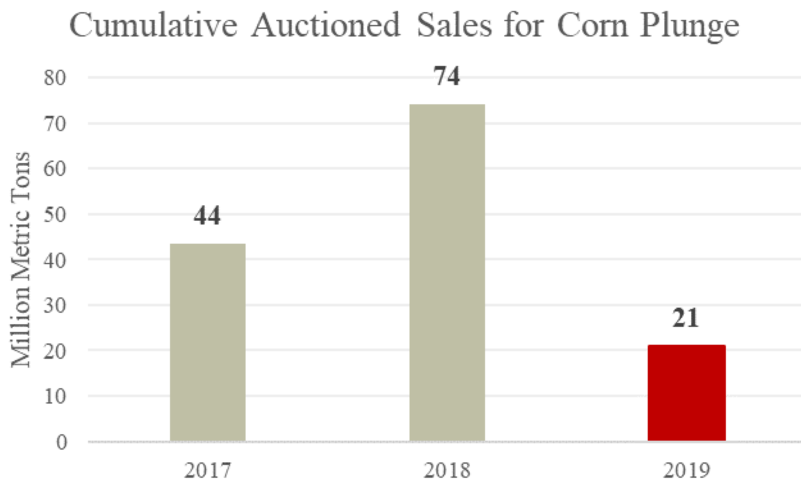
The 2019/20 consumption forecast is down over 2 million tons in light of a significant reduction in demand for imported feed barley. Roughly half of China's barley consumption is expected for

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 down over 2 million tons 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 July's report, demand for foreign supplies are expected to surpass the previous year due to attractive prices from major exporters, especially Ukraine.
Imports in 2018/19 are adjusted higher based on higher-than-expected import data.
Sorghum
Imports for 2019/20 are adjusted down to 500 thousand tons due to lower projected imports for U.S. sorghum.
Barley
Imports for 2019/20 are adjusted down to 5.0 million tons with greatly reduced demand for Australian feed barley amid their lower exportable supplies.
Imports in 2018/19 are adjusted down based on lower-than-expected China import data.



STOCKS
Corn
Stocks in 2019/20 are forecast up over 12 million tons from the last report amid a larger domestic crop. Regarding state reserve sales, greater uncertainty concerning domestic feed demand and reserve-quality concerns have driven auction purchases down. As of September 5, 2019, sales were down more than two-thirds compared with the previous year's accumulated total during the same period.

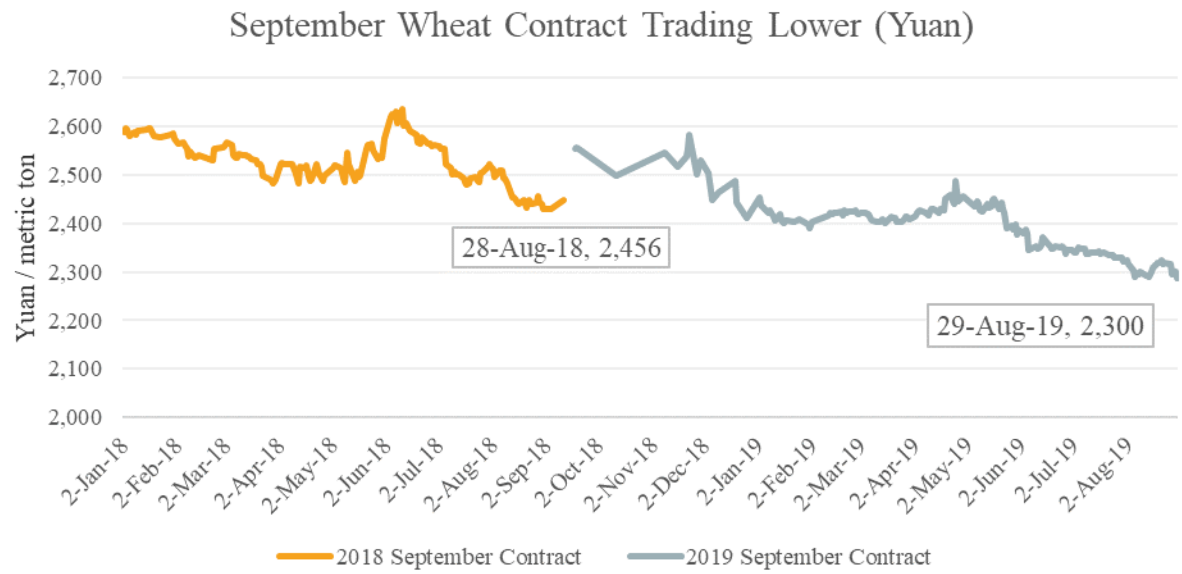


Source: China National Grain Trade Center; Note: Thirty-fifth week of sales (accumulated) for each respective year

Wheat
PRODUCTION
Wheat production in 2019/20[4] is unchanged from July's report at 132 million tons, as the harvest for winter wheat is complete and spring wheat is nearly finished. China's new-crop quality was rated higher than the previous two years. This is expected to spur a strong pace of purchases for state grain reserves and commercial millers. Greater supplies of higher-quality wheat have guided respective prices lower.

The 2019 September contract price[5] for wheat on the Zhengzhou Commodity Exchange is lower relative to last year during August.[6] Prices settled at around 2,300 yuan per metric ton at the end of the month, roughly 150 yuan lower compared with 2018 during the same period. As of August 23, 2019, the China Food Network Data Center reported the average spot price of domestic common wheat at 2,280 yuan, and the Zhengzhou contract settled was 2,318 on the same date.[7] The Zhengzhou contract is labeled as "strong gluten wheat of high quality" and demands a higher price relative to common wheat.

[4] Marketing Year is July through June.
[5] Settlement price.
[6] 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.
[7] China's 2019 Minimum Support Price (MSP) was set at 2,240 yuan per metric ton.



Note: The Zhengzhou wheat contract is labeled as Grade 3 or higher conforming to "National Standard of the People's Republic of China" (GB 1351-2008; data only includes dates with traded volumes

CONSUMPTION

Consumption in 2019/20 is adjusted up two million tons due to stronger domestic flour production. Favorable domestic quality and competitive prices are expected to increase consumption as high-quality wheat is currently trading at a lower price relative to last year. Annual growth is expected as flour mills were operating at a higher capacity (fifty to seventy percent) in quarter two (Apr. – Jun.) relative to 2018.

Additionally, consumers are expected to substitute more wheat-based products for protein with less pork consumed (especially institutional demand such as schools, military organizations, etc.) amid higher domestic pork prices.

The 2019/20 feed and residual projection is adjusted up one million tons on stronger-than-expected demand for feed wheat, and residual from government reserves not meeting human nor animal specifications. Nevertheless, the forecast is down from the previous year due to a better-quality crop, and slowdown in China's overall feed demand.

TRADE

Imports and exports for 2019/20 are unchanged.

STOCKS

On May 15, the National Food and Strategic Reserves Administration (NFSRA) announced procurement purchases of domestic wheat from June 1 to September 30, 2019. Before harvest, China announces a Minimum Support Price (MSP) set by the NDRC (National Development and Reform Commission). When market prices fall below the MSP for three consecutive days, the provincial-level procurement program is triggered; the program ends when market prices exceed the MSP price.

The 2019 MSP is 2,240 yuan (lower year-over-year) and the NFSRA seeks to procure a total of 67.5 million tons in marketing year 2019/20, up slightly from the year before. The NFSRA reported that by August 31, 2019, over 62 million tons had been procured (92 percent of the target quantity), up 18 million from the previous year due to higher supplies meeting minimum grading standards.

On May 21, 2019, China National Grain Trade Center began auctioning state-owned wheat inventories at a reserve price of around 2,300 per yuan, lower than during the same period last year. On July 17, 2019, China suspended auction sales for domestic old-crop wheat to facilitate the marketing of the newly harvested crop. However, imported wheat continues to be auctioned, but the ratio of wheat purchased to wheat offered (or selling rate) has been low.

Rice

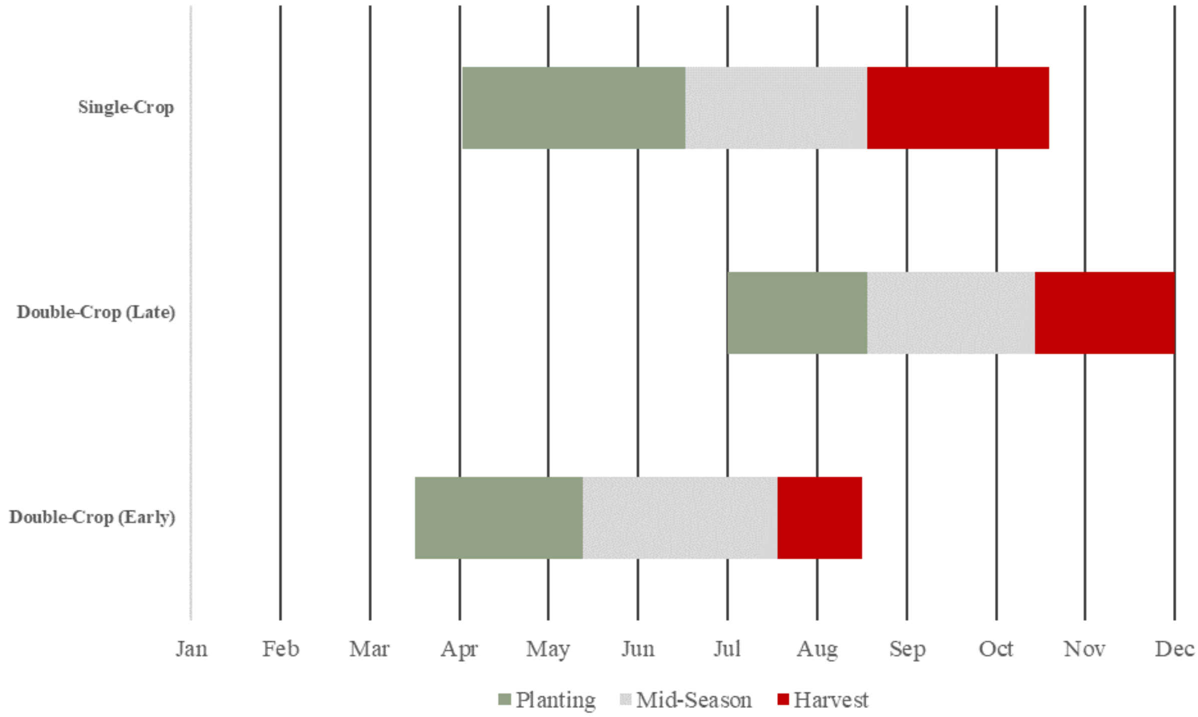
PRODUCTION

Milled rice production in 2019/20[8] is unchanged at 146 million tons. China finished harvesting the Early Double-Crop and is expected to continue with the Single-Crop and Late Double-Crop until early December (see **Rice Crop Calendar** below).

Japonica rice is not double-cropped (planting two crops annually – Double-Crop Early and Late) and demands a higher price relative to Indica, and FAS-Beijing forecasts 2019/29 Japonica rice production at about one-third of China's total rice production and planted area down from the previous year. FAS-Beijing believes that farmers are gradually planting Single-Crop Indica instead of double-cropping (Double-Crop Early and Late). Most Early Double-Crop Indica is intended for processing purposes (e.g. rice noodles) instead of for table purposes or eaten as a cooked grain. Relative to Early-Crop, Late Indica is popular as a table rice in China's southern provinces.

Rice Crop Calendar

[8] 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.



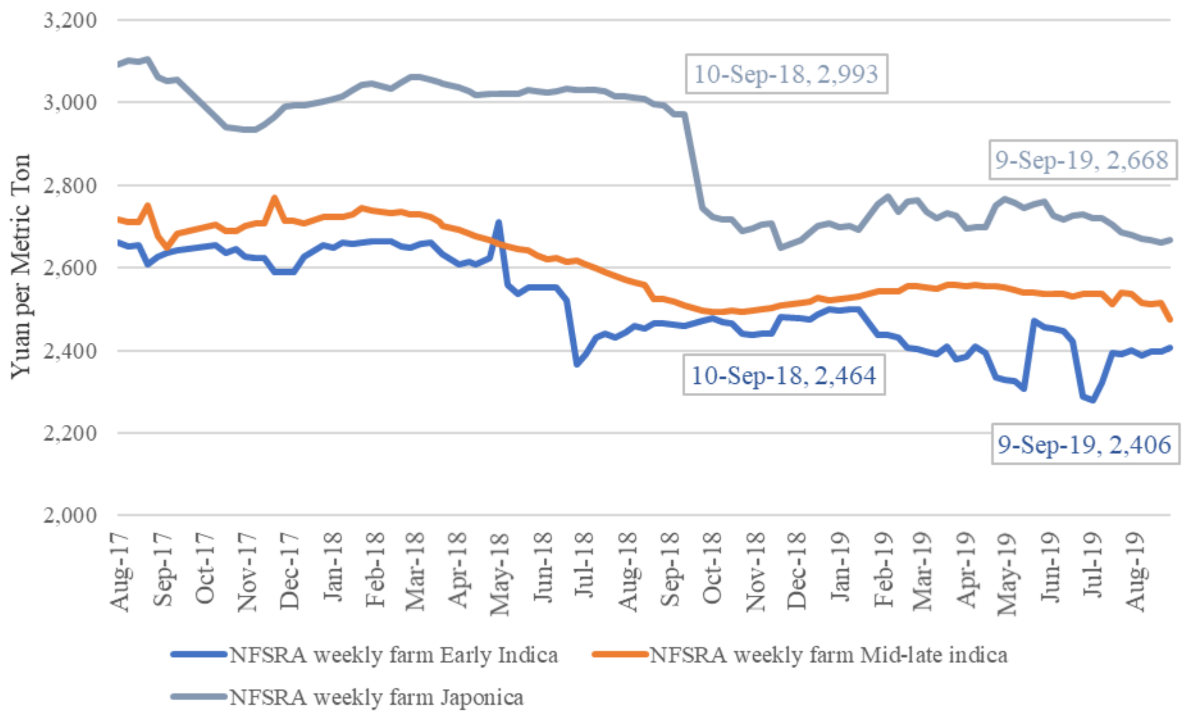
Note: For more information regarding China's crop calendars, please see [here](#).

The NDRC has set the 2019 Minimum Support Price (MSP) at 2,400 (Early Indica), 2,520 (Late Indica), and 2,600 (Japonica) yuan per metric ton for the 2019/20 rice crops.

Domestic rice prices are lower relative to last year despite forecasts for a lower crop. The strong facilitation and auctioning of domestic rice reserves is believed to have kept prices relatively low (please see discussion regarding China rice stocks on page 10). However, as harvest has progressed and a smaller crop is projected (relative to last year), industry sources believe prices will not drop much further as witnessed in September of 2017 and 2018. Some industry sources believe prices will rise from the beginning of September 2019.

Starting August 16, 2019, China's Dalian Commodity Exchange (DCE) began offering futures contracts for milled Japonica rice. A Japonica rice-futures contract also exists on the Zhengzhou Commodity Exchange. Domestic stakeholders involved with marketing japonica rice believe the new Dalian contract will become an effective hedging instrument to stabilize domestic prices, provide for price discovery, and better manage procurement risks.

2019 Japonica Rice Prices Fall



Note: Weekly farm price; Source: NFSRA

The 2019/20 rice consumption and residual forecast is adjusted down 2 million tons to 143 million tons due to the previous year's lower-than-expected consumption.

Total consumption in 2018/19 is also estimated down two million tons year-over-year due to dampening expectations for ethanol use. As with wheat, residual is expected from reserve quality of government reserves not meeting human nor animal specifications.

TRADE

Marketing Year (MY)[9] and Trade Year (TY)[10] imports in 2019/20 are lowered to 3.3 million tons, and exports are unchanged. On a TY basis, China is set to be a net exporter for the first time in nine years, buoyed by competitive export prices and growing market opportunities in Latin America and Africa.

Imports in 2019/20 are expected down with less demand for foreign supplies amid ongoing auctions of reserves. Auction prices have been attractive to domestic buyers and the percentage sold (of quantity offered) has been robust.

STOCKS

China's auction of old-crop rice reserves in 2019 has been attractive for domestic buyers and resulting selling rates (ratio of rice purchased to rice offered) have been strong in 2019's second quarter. Since January 2019, China auctioned nearly 12 million tons of rice from its state-owned inventories, significantly up from the previous year. Auction lots from the 2013/14 and 2014/15 marketing years have been strong due to price, with auction prices averaging below 1,600 yuan for specific sessions.

[9] July 2019 – June 2020

[10] January 2020 – December 2020

APPENDIX

Countries with Bilateral Phytosanitary Protocols (in China)

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, *Russia*, 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

Note: Countries with Bilateral Phytosanitary Protocols are permitted to export grains (new additions in *italics*)**;** Source: China Customs

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	42399	42399	42129	42129	41000	41000
Beginning Stocks	223017	223017	222525	222525	211835	219535
Production	259071	259071	257330	257330	254000	250000
MY Imports	3456	3456	5000	4700	7000	6000
TY Imports	3456	3456	5000	4700	7000	6000
TY Imp. from U.S.	308	308	0	0	0	0
Total Supply	485544	485544	484855	484555	472835	475535
MY Exports	19	19	20	20	20	20
TY Exports	19	19	20	20	20	20
Feed and Residual	187000	187000	190000	180000	188000	175000
FSI Consumption	76000	76000	83000	85000	89000	89000
Total Consumption	263000	263000	273000	265000	277000	264000
Ending Stocks	222525	222525	211835	219535	195815	211515
Total Distribution	485544	485544	484855	484555	472835	475535
Yield	6.1103	6.1103	6.1081	6.1081	6.1951	6.0976
(1000 HA) ,(1000 MT) ,(MT/HA)						

Sorghum	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	506	675	720	720	750	710
Beginning Stocks	147	147	105	370	105	170
Production	2465	3200	3450	3450	3600	3400
MY Imports	4436	4436	700	650	700	500
TY Imports	4436	4436	700	650	700	500
TY Imp. from U.S.	3922	3922	0	0	0	0
Total Supply	7048	7783	4255	4470	4405	4070
MY Exports	43	43	50	50	40	40
TY Exports	43	43	50	50	40	40
Feed and Residual	4500	5200	1500	1600	1500	1100
FSI Consumption	2400	2600	2600	2650	2700	2700
Total Consumption	6900	7800	4100	4250	4200	3800
Ending Stocks	105	370	105	170	165	230
Total Distribution	7048	8213	4255	4470	4405	4070
Yield	4.8715	4.7407	4.7917	4.7917	4.8	4.7887
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	330	430	450	450	470	460
Beginning Stocks	178	178	107	241	157	191
Production	1085	1800	1850	1850	1950	1900
MY Imports	8144	8144	6000	4700	7000	5000
TY Imports	8144	8144	6000	4700	7000	5000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9407	10122	7957	6791	9107	7091
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5500	6500	4000	2800	5000	3000
FSI Consumption	3800	3800	3800	3800	4000	3900
Total Consumption	9300	10300	7800	6600	9000	6900
Ending Stocks	107	241	157	191	107	191
Total Distribution	9407	10541	7957	6791	9107	7091
Yield	3.2879	4.186	4.1111	4.1111	4.1489	4.1304
(1000 HA) ,(1000 MT) ,(MT/HA)						

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24508	24508	24268	24268	24100	24100
Beginning Stocks	114929	114929	131195	131195	139768	139768
Production	134334	134334	131430	131430	132000	132000
MY Imports	3936	3936	3149	3149	3200	3000
TY Imports	3936	3936	3149	3149	3200	3000
TY Imp. from U.S.	774	774	45	45	0	0
Total Supply	253199	253199	265774	265774	274968	274768
MY Exports	1004	1004	1006	1006	1300	1300
TY Exports	1004	1004	1006	1006	1300	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	131195	131195	139768	139768	145668	146468
Total Distribution	253199	253199	265774	265774	274968	274768
Yield	5.4812	5.4812	5.4158	5.4158	5.4772	5.4772
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	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	30000	30000
Beginning Stocks	98500	98500	109000	109000	115000	115000
Milled Production	148873	148873	148490	148490	146000	146000
Rough Production	212676	212676	212129	212129	208571	208571
Milling Rate (.9999)	7000	7000	7000	7000	7000	7000
MY Imports	5500	5500	3250	3250	3100	3300
TY Imports	4500	4500	3250	3250	3100	3300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	252873	252873	260740	260740	264100	264300
MY Exports	1386	1386	2770	2770	3300	3300
TY Exports	2058	2058	3300	3000	3600	3500
Consumption and Residual	142487	142487	142970	142970	143000	143000
Ending Stocks	109000	109000	115000	115000	117800	118000
Total Distribution	252873	252873	260740	260740	264100	264300
Yield (Rough)	6.917	6.917	7.0267	7.0267	6.9524	6.9524
(1000 HA) ,(1000 MT) ,(MT/HA)						