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China - Peoples Republic of

Oilseeds and Products Annual

China's Robust Demand Expected to Drive Soybean Imports to 100 Million Metric Tons in MY18/19

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Report Highlights:
China is the largest oilseed importer in the world with total oilseed imports at 98.42 million tons (MMT) in MY16/17. Chinese total soybean imports hit another record at 93.5 MMT, absorbing 62.6 percent of total world exports, and 61.2 percent of total U.S. soybean exports. Post estimates this growing trend will continue and drive soybean imports to reach 97 MMT in MY17/18, and hit 100 MMT in MY18/19. Rising incomes, urbanization and the modernization of the domestic feed and livestock sectors will continue fostering Chinese consumption of oilseed products. The United States soybean exports to China are expected to face fierce competition from South American countries in MY17/18 and beyond. Despite a change in China's government policy in MY16/17 encouraging farmers to plant more soybeans, growth in China's oilseed production remains constrained by limited arable land and stagnant yield. Thus, China's oilseed production is estimated to rise modestly to 58.55 MMT in MY17/18 and forecast up slightly to 58.6 MMT in MY18/19. Since its implementation in MY16/17, USDA and U.S. exporters have actively worked to meet China's new exporter registration requirements for grain and oilseed (known as Decree 177). In January 2018, U.S. exporters for grain and oilseeds successfully completed the registration process.

Executive Summary:

China's limited arable land and stagnant yields continue to hinder growth in domestic oilseed production. Prior to MY15/16, oilseed production was also tempered by government support policies favoring major crops, such as corn. However, as a result of the government's policy change to reduce support for corn planting, China's total planted area for all oilseed crops is estimated to rise 3.5 percent to 24.15 million hectares (MHa) in MY17/18, and is forecast to remain unchanged in MY18/19. Total oilseed production for MY18/19 is forecast at 58.6 MMT, slightly up from 58.55 MMT in MY17/18, and 56.62 MMT in MY16/17. Growth in soybeans and peanut production contributed to a rise in MY17/18 total oilseed production. Conversely, forecast growth in peanuts and cottonseed production are expected to offset potential drops in soybean and rapeseed production in MY18/19.

Driven by an increasing domestic demand for meats, eggs, milk, seafood, and vegetable oils, China's consumption of oilseeds is forecast to rise to 162.8 MMT in MY18/19 from the estimated 158.2 MMT in MY17/18. Additionally, continued growth in the feed industry and progress in farm consolidation in the livestock and aquatic sectors are collectively spurring demand for protein ingredients. Given a stagnant domestic oilseed production, additional oilseed imports are likely to meet increase in domestic demand.

Post forecasts China's total oilseed imports to remain robust at 105.3 MMT for MY18/19 from 102.2 MMT in MY17/18. Soybean imports are expected to reach a record 100 MMT in MY18/19, from the estimated 97 MMT in MY17/18, in concordance with USDA's official February 2018 estimate. In MY16/17, Chinese imports of U.S. soybeans reached a record 36.84 MMT and accounted for 39.4 percent of China's total soybean imports. However, U.S. soybean exports will face challenges in MY17/18 and beyond given the fierce competition from reportedly abundant suppliers in South America. In the long-term, U.S. soybean exports to China are expected to keep growing based on China's growing demand and insufficient domestic supplies.

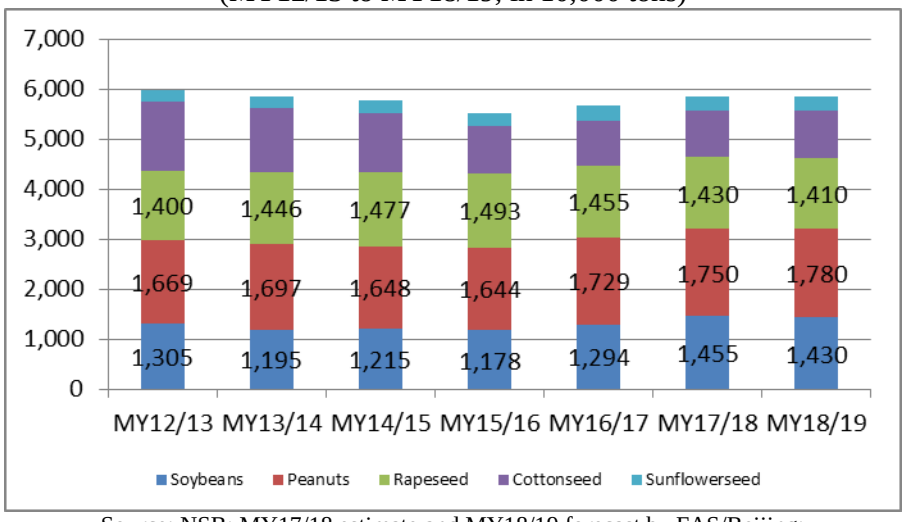
It is important to note that forecasting China's meal and oil use, and total oilseed demand remains a challenge as data differs greatly depending on the source. This is particularly true with data pertaining to rapeseed and peanut area and production; soybean use as food or feed; feed and livestock production; and the unknown volume of soybean and vegetable oils reserves.

Oilseeds Situation and Outlook

Growth in Domestic Demand for Oilseeds Exceeds Growth in Domestic Oilseed Production

Overall, the growth in China's domestic oilseed production continues to lag behind the growth in domestic demand. As a result of the government's policy change in MY16/17 which reduced corn returns, China's total planted area for all oilseed crops is estimated to increase 3.5 percent to 24.15 MHa in MY17/18. However, forecast MY18/19 planted area will remain unchanged at 24.15 MHa based on stagnant soybeans and rapeseed returns. The MY18/19 total oilseed production forecast is 58.6 MMT, up slightly from the estimated 58.55 MMT in MY17/18, and higher than the 56.6 MMT in MY16/17. The stable production forecast reflects an expected moderate rise in peanut and cottonseed production offsetting a forecast fall in soybean and rapeseed production in MY18/19. Combined increases in soybean and peanut production of 1.87 MMT contributed to the recovery of total oilseed production in MY17/18. Inadequate production conditions – from lack of economies of scale, poor agronomic practices, limited technological resources and input quality – continue to limit the potential gain in oilseed yield. Meanwhile, Chinese consumption of meat, seafood, vegetable oils, and soybeans for food-processing continues its unrelenting growth, fueled by rising affluence, urbanization, and expanding consumer preferences. In response to these dietary demands, China must complement its domestic oilseed resources with imports, primarily from Brazil, the United States, Argentina, and Canada.

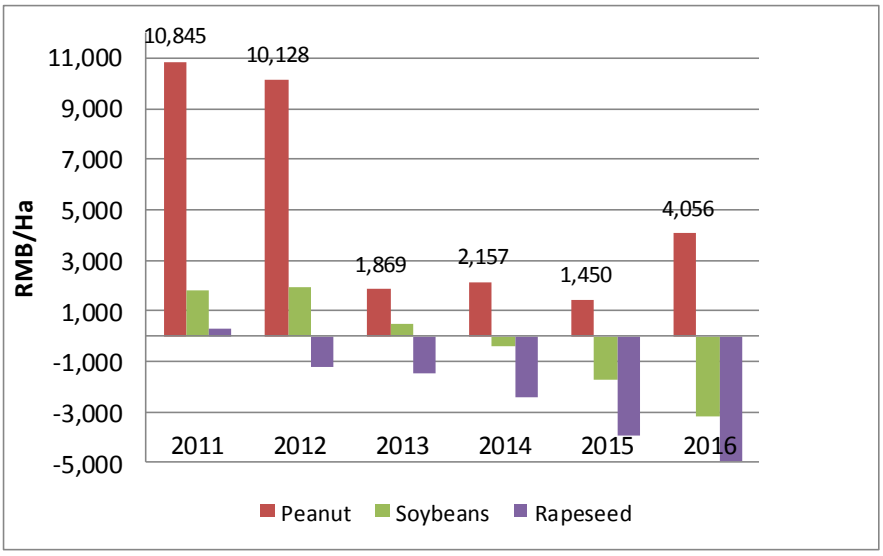
Chart 1 – China's Major Oilseed Production
(MY12/13 to MY18/19; in 10,000 tons)



Source: NSB; MY17/18 estimate and MY18/19 forecast by FAS/Beijing;
Cottonseed production estimated by FAS/Beijing

Post's forecast soybean production for MY18/19 is 14.3 MMT based on above average yield despite a slight fall in acreage. The MY18/19 forecast planted area is 7.85 MHa compared to 7.9 MHa in MY17/18. In MY17/18, the estimated soybean returns continue to be lower than those for corn in the major soybean-producing provinces. However, farmers are expected to continue their crops rotation program to maintain soybean acreage in MY18/19.

Chart 2 - National Average Profit/Ha for Major Oilseed Crops
(2011 to 2016; RMB/Ha)



Source: NDRC 2015 National Agricultural Product Production Cost and Profit;
Notes: Excludes labor Income; Exchange rate in 2016: $1=RMB6.64

Driven by steady positive earnings received in recent years, the MY18/19 forecast for Chinese peanut production is slightly up to 17.8 MMT. Cottonseed production is forecast to increase in MY18/19 mainly due to the government's fixed target price support for Xinjiang. MY18/19 rapeseed planting area and production are both forecast to fall slightly in response to lower earnings as the government ended its price support policy for

rapeseed in MY15/16. Chart 2 shows the trend for net profits for major oilseed crops until 2016 (Note: labor income excluded). Post believes this trend continued in 2017 although the actual net profits may change.

Oilseed Development Policy Remains Unchanged

China's "National Oilseed Development Plan (2016 - 2020)" sets a target for total oilseed production at 59.8 MMT by 2020 from the 45.4 MMT in 2014 (note: oilseeds include rapeseed, peanuts, soybean and camellia). This target is to be achieved through a planted area expansion with an additional area of 4.16 MHa (of which soybean area 2.53 MHa and camellia 1 MHa) and yield gains through technological advancement. The forecast 7.85 MHa of soybean planted area for MY18/19 remains 1.48 MHa below the set target for 2020.

China's National Oilseed Development Plan (2016-2020)

	Soybeans		Rapeseed		Peanuts		Camellia	
MMT/MHa	Prod	Area	Prod	Area	Prod	Area	Prod	Area
2020	18.9	9.33	16.2	8	18.7	4.8	6	4.67
2014	12.15	6.8	14.77	7.59	16.48	4.6	2	3.65

Source: NDRC

The 2016-2020 Plan also highlights that the government will provide support for oilseed production, processing, technical extension and innovation. Driven by the government's direct subsidy to farmers, soybean acreage recovered in MY17/18 but it is not expected to increase further in MY18/19. Soybean returns in MY17/18 showed no advantage over corn in the four Northeastern Provinces (China's major soybean-producing region). Rapeseed planting continues to fall as profits remain thin and the government has not issued any new support measures for this commodity. Camellia planting is reportedly being supported by the government and production is expected to grow in the coming years. While steady growth in the domestic oilseed supply is likely to moderately flatten the growth rate of oilseed imports, domestic supplies will not be sufficient to satisfy the rise in demand.

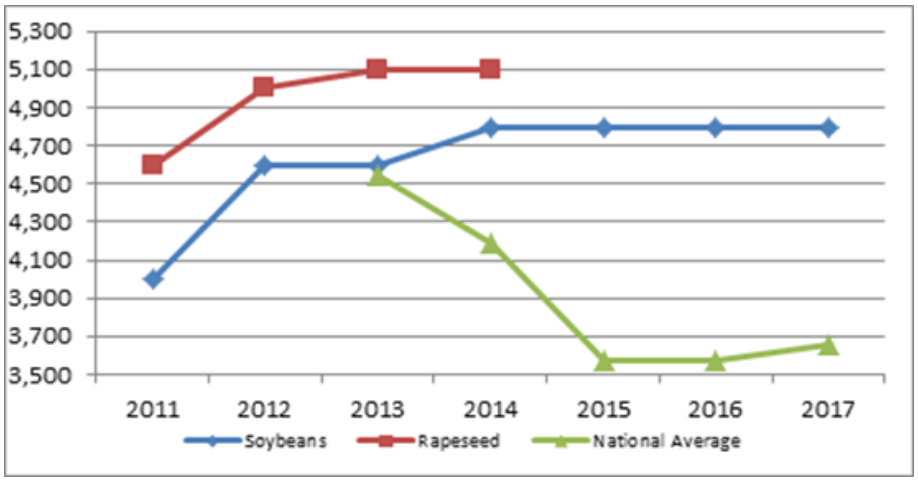
Soybeans

Production

Post's forecast for MY18/19 soybean production is 14.3 MMT. This forecast is lower than the estimated 14.55 MMT for MY17/18 and is based on a forecast slight fall in planted area and above average yield. Post's estimate for MY17/18 is slightly higher than the USDA February 2017 official estimate. The estimated recovery in soybean production in MY17/18 is supported by changes in the government's grain support policy, which lowered corn profits for MY16/17 and encouraged some farmers to plant soybeans mainly in the traditionally soybean planting regions.

Over the past seven years, the government's policy supporting grain prices resulted in smaller soybean planted areas in China's leading-soybean producing regions, the four Northeastern provinces. According to a survey by the Ministry of Agriculture (MOA), MY16/17 earnings in the four Northeastern provinces (including home labor cost and land cost) for soybean were estimated at RMB7,316 ($1,100)/Ha compared to corn at RMB8,283 ($1,241)/Ha. Although corn returns remained favorable, soybean returns in MY16/17 increased from previous years.

Chart 3 - State Purchase Floor Price for Soybeans and Rapeseed Vs. Average Wholesale Soybean Price (2011 to 2017; RMB/ton)



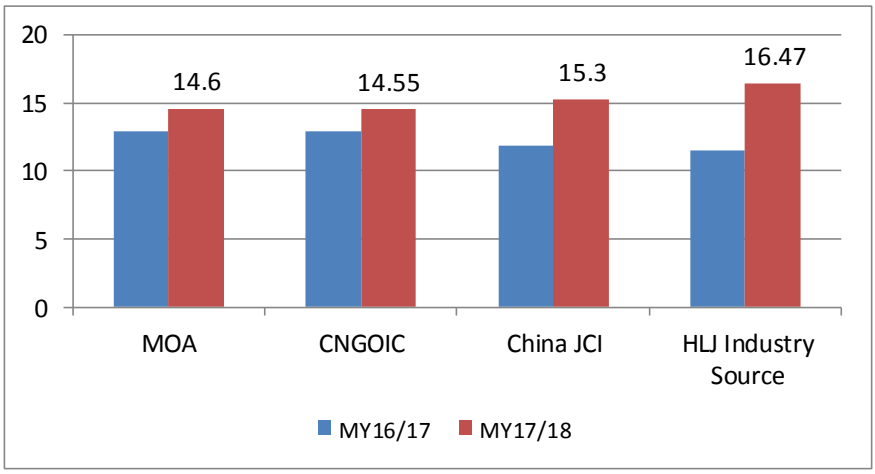
Source: State Grain Administration (soybean target price for four Northeastern provinces) and China JCI (average wholesale soy price).
The government enforced "target price" at RMB4,800/ton from 2014 to 2016 and likely continue in 2017.
The state purchase of rapeseed at high floor prices ended in 2015.

Additionally, in MY17/18, the Chinese government continued to implement its policy setting a "market-oriented soybeans price" plus a direct subsidy to soybean farmers. Industry sources reported that the calculation for the value amount of the direct subsidy to soybean farmers is most likely based on the same target price set for MY16/17 of RMB4,800/ton. This generally continues to ensure that farmers will receive a subsidy for soybean planting during MY17/18. Although the government maintained its corn support policy in MY17/18, the corn marketing price started relatively high and stayed high in MY17/18. This could mean a stable or slight increase of corn returns for farmers in MY17/18.

The government is also calling for more forage area including silage corn in the Northeast and Northwest regions to ease the pressure of the government's still high corn stocks. By 2020, the central government's plan is to cut corn planting acreage by 50 million mu (or 3.67 MHa) in the "reaphook" shaped regions. The "reaphook" shaped regions refer mostly to the bordering regions between crop farming and ranchers in the Northeastern provinces, and the dry and windy regions in the Northwestern provinces. The program covers 13 provinces, with the major adjustment areas located in the four Northeastern provinces. According to MOA, the 2017 target cut is to reduce 10 million mu (or 667,000 Ha) of corn area.

MOA reports that in MY17/18, weather conditions remained generally favorable in most of the soybean-growing regions. Specifically, from September through October, the weather conditions continued to be favorable for soybean maturation and harvest in the major soybean-planting regions. Soybean quality is also better than the previous year and yield is 1,802 Kg/Ha, up from the 1,796Kg/Ha in MY16/17.

Chart 4 - China's Soybean Production Estimates by Major Sources
(MY16/17-MY17/18, MMT)



Major sources agree soybean acreage increased in MY17/18. However, sources vary on the actual data ranging from 8.1 MHa (MOA) to 7.78 MHa (CNGOIC). The estimates of MY17/18 soybean production also range from 14.55 MMT (CNGOIC) and go as high as 16.47 MMT (Heilongjiang based industry source).

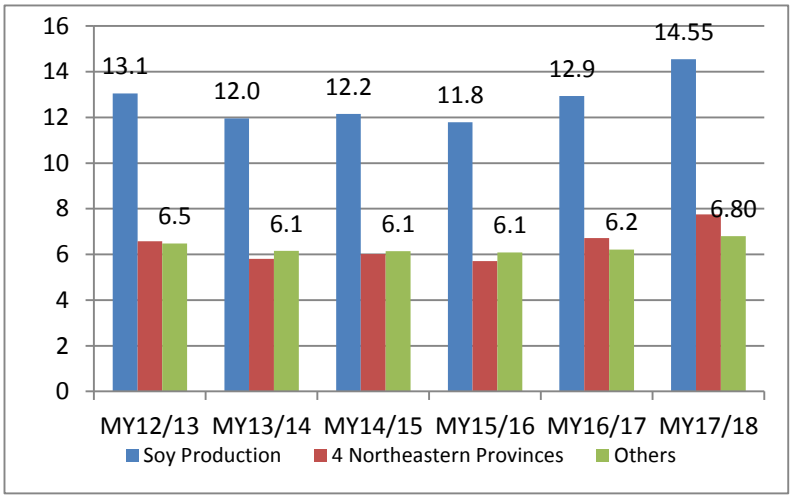
MY18/19 soybean production is forecast to fall to 14.3 MMT based on a slight decrease in planted area and above average yield. Planted area is expected to fall slightly due to disadvantaged soybean returns in MY17/18, but it stands about 10 percent higher than that for MY16/17.

Given the limited acreage and production, an overall national soybean planting intention survey is rarely done. Based on an official survey by the Qiqihaer City Government in Heilongjiang Province, the soybean planting intention is down 0.53 percent while that for corn is up 18.9 percent in 2018 as compared to the previous year. The survey also shows the net profits from soybeans and corn were similar but both were negative. Another field report (in north Heilongjiang) by an industry source concurred with this survey. However, in Hulunbeier City (Inner Mongolia) soybean returns in 2018 were reportedly higher than corn mainly due to relatively low corn yields. Industry statistics showed MY17/18 soybean wholesale price in Heilongjiang (from September to December) averaged RMB3,605 ($540)/ton, lower than RMB3,672 ($553)/ton in MY16/17. Based on industry sources, the corn price recovered sharply in MY17/18 with the corn price up 25 percent in March 2018 compared to the previous year. In consideration of the subsidy rate for corn and soybeans, in MY17/18, the gap in returns (per acreage) between soybeans and corn is expected to widen in favor of corn. However, in some regions in Heilongjiang and Inner Mongolian provinces, crop alternatives to soybeans are limited due to the shorter growing days. Additionally, soybeans are more resilient to stand the cold weather than other more lucrative crops. Soybean acreage for MY18/19 is not expected to fall significantly given the government required crop rotation. These factors will ensure no significant reduction in the soybean area for MY18/19.

Post expects MY18/19 soybean planting intentions to be stable or go up slightly in other soybean-producing provinces. Unlike soybean farmers in the four Northeastern provinces, farmers in other provinces are not entitled to the government target price support. However, in general, soybean profits in these provinces are relatively higher than the four Northeastern provinces. In those provinces, soybeans enjoy a premium as a result of convenient delivery and can satisfy the local food use demand. From MY12/13 to MY16/17, soybean production in these provinces remained stable ranging around 6 to 6.5 MMT per year. Local consumers continue to prefer soybean products processed with locally produced soybeans. In addition, the government's intensified restrictions on the use of imported soybeans for food may encourage more local soybean planting.

Nonetheless, soybean farmers also continue to struggle to boost yields and productivity which have remained stagnant for several years. Without access to the latest seed technology, Chinese soybean farmers face major impediments to improve productivity. Impediments also include small scale farming and inadequate agronomic practices (such as the lack of proper crop rotation). These conditions are unlikely to change significantly in the near future. From MY13/14 to MY16/17, soybean yield in China averaged 1,802 Kg/Ha, compared to 3,225 Kg/Ha in the United States.

Chart 5 - China's Soybean Production by Region (MY12/13-MY17/18; MMT)



Source: Data based on NSB except MY17/18 based on CNGOIC estimate

Stocks

Chinese official statistics for stocks are not publicly available. Based on industry sources, the government's soybean reserves were estimated at about 4.4 MMT by the end of 2016. In September 2017, 300,000 tons of reserves were auctioned with more than 200,000 tons sold. As of this report, the total government soybean reserves are estimated at 4.1 MMT.

While the government suspended its direct purchase of domestic oilseeds for state reserves since MY14/15, maintaining some state soybean reserves remains a part of China's long-term food security strategy. In recent years, it is likely that soybeans imported by state-owned companies may have contributed to the state reserves. For example, industry sources report that 25,000 tons of soybeans imported from Uruguay were added to the state reserve warehouse located in Liaoning Province in the Northeast China in September 2017. Given the unknown volume of imported soybeans likely added to the state stocks, the government soybean reserve could exceed 4.1 MMT. The government's oilseed and vegetable oil reserves program further complicates the analysis and forecast of China's oilseed and product market. MY18/19 total soybean ending stocks are forecast at 20.9 MMT, almost unchanged from the estimated high level of 21 MMT at the end of MY17/18.

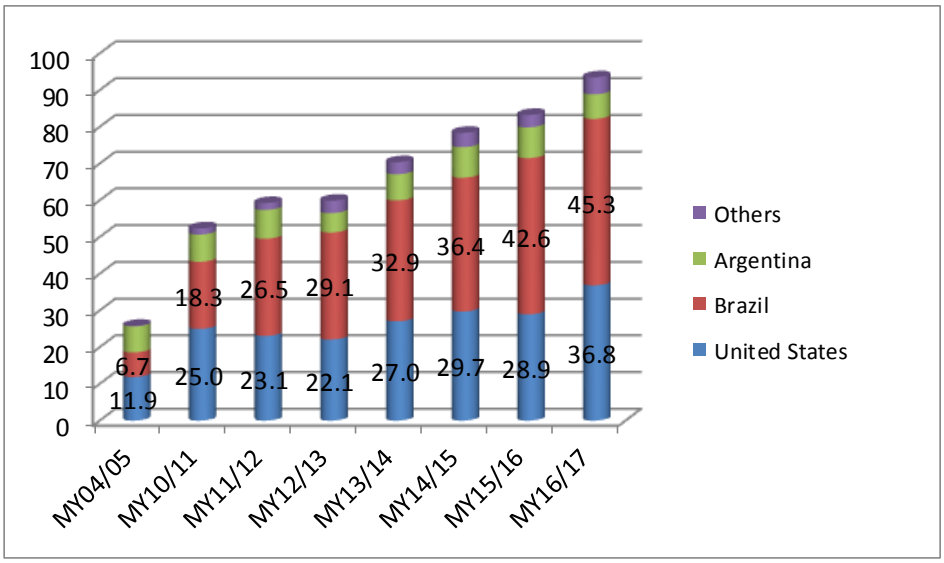
Trade

--Imports

Post estimates the growing import trend will continue with soybean imports reaching 97 MMT in MY17/18, and 100 MMT in MY18/19. China's domestic production remains insufficient and unable to meet growing

consumption of oilseed products (protein meal and oil). In MY16/17, China continued to dominate the global soybean market and remains the largest importer of soybeans in the world with total imports of 93.5 MMT, absorbing 62.6 percent of total world exports, and 61.2 percent of total U.S. soybean exports. In the first four months of MY17/18, China's soybean imports exceeded 24 MMT, up 9.3 percent over the same period last year, supporting higher soybean imports in MY17/18.

Chart 6 – Chinese Soybean Imports over the Last Decade
(MY04/05-MY16/17; MMT)



Source: Global Trade Atlas

The Chinese crushing industry's demand for soybeans continues to be strong. In addition, economic incentives are reportedly driving greater use of imported soybeans for food in the coastal provinces. However, figures capturing this trend are not readily available. Strong demand for oilseed products together with adequate global soybean supplies at lower prices stimulated imports contributing to record annual net import growth of 10.3 MMT in MY16/17. It is worth noting that the high growth in soybean imports is also partly boosted by the 2017 import plunge in distiller dried grains with solubles (DDGS) after China imposed high antidumping and countervailing duties on U.S. DDGS imports in January 2017. China's low imports of DDGS remain a contributing factor for soybean imports in 2018.

Changes in China's consumption trends created new challenges in forecasting China's soybean use/imports as these are generally calculated on a meal and oil based analysis. Industry observers highlight that as a result of the price advantage and purchasing convenience, many food processors in the coastal provinces are progressively using more imported soybeans to produce tofu, soy milk and other foods. As Chinese regulations request imported soybeans to be only used for crushing, the government's intensified restriction of this practice may have an impact on the use of imported soybeans for food processing in 2018. The direct use of whole soybean as a feed ingredient is also increasing. However, specific consumption data on broader utilization of imported soybeans is not readily available.

China's Soybean Imports by Country of Origin from MY14/15 to MY16/17

	MY14/15		MY15/16		MY16/17	
Country	**MMT**	**Share**	**MMT**	**Share**	**MMT**	**Share**
United States	**29.7**	**38%**	**28.9**	**35%**	**36.84**	**39.4%**

Brazil	36.4	47%	42.6	51%	45.34	48.5%
Argentina	8.3	11%	8.4	10%	6.67	7.1%
Others	3.9	5%	3.4	4%	4.65	4.9%
Total	78.35		83.32		93.49	

Source: World Trade Atlas

Brazil continued to be China's largest soybean supplier in MY16/17 with total exports reaching 45.34 MMT and holding 48.5 percent share of the market. China's imports of U.S. soybeans hit a record of 36.84 MMT, accounting for 39.4 percent of market share. During the first four months of MY17/18, Brazil's bumper harvest with high stocks at lower prices continued to attract Chinese buyers. Total imports of Brazilian soybeans surged to 10 MMT compared to 2.7 MMT during the same period in MY16/17. U.S. soybean exports to China are expected to face serious challenges in MY17/18 and even beyond.

--*Exports*

China's soybean exports, mostly destined for traditional food use, are forecast at 150,000 tons for MY18/19, unchanged from the MY17/18 estimate. China's soybean exports remain small and are not expected to change significantly as traditional markets, like Korea and Japan, source food grade soybeans (both biotech and conventional) from several suppliers, including the United States. Industry sources report that in recent years some domestic soybeans have been increasingly processed into protein for exports to European and Asian markets. However, specific figures on this trend are difficult to collect. In balancing the general soybean supply and demand situation, this soybean consumption is considered as food use for domestic consumption.

Soybean Crushing Sector Continues to Restructure

As of late 2015, industry sources estimated China's total soybean crush capacity reached 449,000 tons per day with an estimated annual crushing capacity of about 148 MMT (this is based on 11 operational months). China's crushing sector is restructuring, an industry source estimates the total crushing capacity reached 500,000 tons per day by the end of 2017. Utilization rate remains below 60 percent in MY17/18. The crushing industry will continue restructuring with new construction and expanded renovations to existing facilities. This will likely contribute to a moderate expansion of the crushing capacity in MY18/19. Post estimates crushing volume will increase to 94 MMT in MY17/18, and forecasts it will continue to grow to 98 MMT in MY18/19.

Policy

--Changes to Grain Support Policies Continue to Impact Soybean Acreage

In an effort to reduce the large and high-priced corn stocks accumulated during the years the government provided price support to corn, in 2016, the government's corn reserve policy in the four Northeastern provinces was replaced by a new mechanism of "market oriented purchases." This reduced corn profits for MY16/17 and MY17/18. The policy is expected to continue in 2018.

China's 13th Five-Year Agriculture Development Plan (2016-2020) set a target for corn acreage at 500 million mu (or 33.33 MHa) by 2020, down by 50 million mu (8.2 million acres) from 2015 level. In November 2015, MOA released a guideline, instructing farmers to cut corn planting acreage by 50 million mu (or 3.67 MHa) in the "reaphook"- shaped regions by 2020. This refers mostly to the border regions between crop farming and ranchers in the Northeastern provinces and the dry and windy regions in the Northwestern provinces. The program covers 13 provinces, with the major adjustment areas located in the four Northeastern provinces. Additionally in 2015, MOA designated potato as a staple grain crop (in addition to rice, corn, and wheat) and planned to expand the potato planting area to about 6.67 MHa by 2020 from 5.52 MHa in 2015. MOA stated that in 2017 the plan to cut

corn acreage by another 10 million mu (or 667,000 Ha) was realized. Substitute crops could include soybeans, sunflower, cash crops, silage corn, and potato.

--Direct Subsidies for Soybeans Will Continue in MY18/19

Beginning in MY14/15, the central government enforced a trial program of "target price-based direct subsidy" in the four Northeastern provinces. Under this system, farmers receive a subsidy representing the difference between the market price at harvest and the set target price of RMB4,800 ($762)/ton. In late March 2017, Chinese government announced that the "target price-based direct subsidy" for soybeans will be replaced by "market-oriented soybeans price plus a direct subsidy to soybean farmers" in MY17/18. This policy is similar the government's support program instituted for corn production since 2015. While no detailed subsidy policy has been made public as of this report, it is generally believed that the direct subsidy level will continue to be based on the gap between market and a similar target price in MY17/18. This policy is most likely to remain in MY18/19.

Since MY16/17, the Heilongjiang Provincial Government also provided a payment of RMB150/Mu (equivalent to $339/Ha) to farmers who switched from planting corn to soybeans. This policy is estimated to cover about 6.5 million Mu (0.43 MHa), mainly located in the traditional soybean planted region, and is expected to continue in MY18/19.

--China's Biotech Approval System Adds Uncertainty to Soybean Trade

China's non-biotech derived domestic soybean production policy remains unchanged. Domestic soybeans (non-biotech soybeans or soybean protein) are targeted primarily for food use with a minimal amount are exported at a premium to European and Asian markets.

Regarding imported biotech products, MOA maintains an approval system for biotech varieties and approves new events on a periodic basis after holding a National Biosafety Committee meeting. The approval system lags behind the pace of international commercialization of new events and adds uncertainty to the soybean trade. Currently, four soybeans events are in the Chinese regulatory pipeline and under review for final approval. USDA continues to request MOA to streamline its biotech approval process as market access is key for trading partners and critical for China's price stability and food security. In addition, China has not yet established a tolerance level for the adventitious presence of unapproved biotech events in imports of bulk grain, oilseed, and hay products. Although there were no reported disruptions to U.S. soybean exports to China, please consult Post's Annual Biotechnology Report for additional information on China's biotechnology policy and for an updated list of China's approved biotech events.

--Registration Requirements for Grain and Oilseed Exporters (AQSIQ Decree 177)

In February 2016, the China General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) released Administrative Measures regarding the Inspection and Quarantine for the Entry and Exit of Grain and Oilseeds, also referred to as AQSIQ Decree 177 (see GAIN translation report). Implemented in July 2016, this Decree imposed new registration requirements on overseas exporters of bulk commodities, including on-site facility inspections.

As a part of the implementation of Decree 177, AQSIQ asked foreign governments to provide a registration system for grain exporters and to submit a list of registered entities for China to publish on its website. AQSIQ has indicated that it will use the list to monitor compliance with entry requirements for grain. In 2017, in close consultation with U.S. industry, USDA agreed to provide AQSIQ with a list of U.S. exporters of commodities covered by the US. Grain Standards Act. This list is currently being maintained by USDA's Federal Grain Inspection Service (FGIS) which operates under the U.S. Grain Standards Act (USGSA) of 1916, as amended.

It is important to note that while the USGSA pertains to U.S. entities shipping above 15, 000 metric tons, entities that ship less than 15,000 metric tons who request and are approved for a waiver will also be included on the list provided to AQSIQ. Therefore, U.S. entities exporting or interested in exporting grain (including soybeans) to China must now be registered with FGIS. For more information about exporting grain and a link to the registration application can be found here: https://www.gipsa.usda.gov/fgis/exportinggrain.aspx.

Any questions comments or concerns pertaining to registration under Decree 177 can be sent to FGIS-DIIA@usda.gov. As of the date of this report, there have been no reports of disruptions to U.S. grain exports to China related to these new requirements.

--USDA and AQSIQ Cooperation on Soybean Quality Issues

In 2012, USDA and AQSIQ signed a Memorandum of Understanding (MOU) to increase bilateral cooperation in the inspection and quarantine of U.S. soybeans exported to China. Since then, USDA and AQSIQ have conducted several joint programs, including joint soybean vessel inspection programs conducted in 2013 and 2014. Bilateral technical information exchanges continued throughout 2015-2017. This bilateral cooperation has increased understanding of inspection systems, quarantine standards, procedures and testing methodologies in both countries.

In 2017, AQSIQ officials expressed concerns with the increased interceptions of quarantine weed seeds in U.S. soybean shipments to China. If left unaddressed, quarantine weed seeds in exported commodities can disrupt trade and cause severe losses due to rejected cargos and delays at the port of entry. In response, USDA and the U.S. industry implemented a series of measures along the supply chain to reduce weed seeds in U.S. soybean exports called the systems approach. AQSIQ agreed to expedite the clearance process of U.S. soybean shipments with 1 percent or less foreign material. On January 1, 2018, USDA implemented a new procedure that includes an additional declaration pertaining foreign material on the official phytosanitary certificate. This process will assist AQSIQ officials to quickly determine which shipments may be expedited. For more information on the systems approach, please visit the following USDA website.

--The Impact of China-ASEAN Free Trade Zone on Vegetable Oil Trade Remains Limited

The China-ASEAN Free Trade Agreement (CAFTA) was enacted on January 1, 2010. Under the Agreement, import duties on more than 90 percent of goods imported to China from ASEAN countries were eliminated. According to the 2018 Customs Import and Export Tariffs of China, the duties for palm oil, palm kernel oil, and copra oil remain unchanged from the previous year at 9 percent. In general, Chinese imports of palm oil from ASEAN countries are not expected to grow significantly given the ample supplies of lower-priced domestically crushed soybean oil and other vegetable oils.

Marketing

China's marketing of domestic soybeans remains generally unchanged and its impact on soybean imports remains limited. The majority of domestic soybeans are sold for food processing and locally consumed. Traders sourcing soybeans from the four Northeastern provinces can deliver products to other parts of China though rail and trucks. The marketing pace relies mostly on farmers' expectations of soybean prices. Chinese industry sources reported that marketing of MY17/18 soybeans remained slow due to lower-than-expected prices. Based on CNGOIC, the February purchase price for soybeans averaged RMB3,600 ($562)/ton for food use, and RMB3,400 ($531)/ton for crushing, compared to the RMB3,300 ($516)/ton for imported soybeans. The purchase of domestic soybeans for crushing remains low (mainly in the four Northeastern provinces and Anhui province).

In an effort to stabilize market, during the second week of October 2017, China's State-owned Grain Corporation began to purchase soybeans from farmers in Heilongjiang Province at a slightly higher price than the market. According to CNGOIC, as of the end of February, total purchased volume reached 3.3 MMT up significantly from the 1.73 MMT in MY16/17. However, the relative slow marketing pace of MY17/18 crop may overshadow soybean sowing in MY18/19.

In many coastal provinces, the marketing of domestic soybeans for food use is also increasingly challenged by the use of imported soybeans. Traders of domestic soybeans for food use are usually small to medium size operations and face difficulty in consolidating soybeans from households and villages. Improved highway systems and increased volume of trucked soybeans could facilitate redistribution but would do little to address lower domestic supplies.

Rapeseed

Production

Post forecasts MY18/19 rapeseed area is down by 1 percent to 7.1 MHa compared to the previous year, and rapeseed production is also forecast to drop by 1.4 percent to 14.1 MMT based on normal yield. China's government continues to encourage rapeseed farming as it uses winter idle land and lessens the competition for land with other grain crops. However, due to the abolishment of the government's price support, estimated average rapeseed profits in MY17/18 continued to be negative. MY17/18 rapeseed production is estimated at 14.3 MMT, supporting the USDA February 2018 official data.

CNGOIC reported that MY18/19 winter planted rapeseed acreage remains unchanged from the previous year. A rural economy research source forecast lower rapeseed acreage for MY18/19 mainly due to excessive rainy days impacting the planting of rapeseed in the Yangtze River region. Another industry source forecast a significant fall of rapeseed acreage (down by 30 percent) in Hubei and Anhui provinces in MY18/19 due to low returns and excessive rainfall during the planting time. Forecast MY18/19 spring rapeseed area in the northwest provinces will stay generally stable.

The estimates for rapeseed returns in MY17/18 vary by provinces but generally remain negative. Based on official data from the largest rapeseed producing-province, Hubei, MY17/18 rapeseed price and production value increased moderately from the previous year. However, rapeseed profits continue to be disadvantaged or 50 percent lower than those for winter wheat. Hubei Provincial Agriculture Commission reported that as a result of the government's joint efforts, rapeseed planting area exceeded 1.2 MHa in MY18/19, up 7 percent from the previous year. The government's support measures included the promotion of high quality varieties, a subsidy of about $25,000 to each of the 120 demonstration planting plots (with area of 667 Ha/plot), and better technical extension services.

In Sichuan Province, official survey results showed that compared to the previous year, MY17/18 rapeseed price and production value increased by 6.8 and 7.3 percent, respectively. However, rapeseed profits continued to be negative. In Hunan Province, MY18/19 rapeseed acreage is expected to be unchanged from the previous year. In recent years, rapeseed production in the south part of Hunan was reportedly growing driven by consumer preference for original rapeseed oil flavor (even at a premium price) rather than the refined rapeseed oil crushed with imported GMO rapeseed.

As of this report, rapeseed growth in the Yangtze River region and southwestern provinces is rated as "good" with generally favorable weather conditions. The temperature and moisture level are expected to facilitate flowering in most regions.

It is important to note that rapeseed production scale in China remains extremely small with majority at 0.5 to 1 acre per household. Given the low profits gained from commercial rapeseed planting, many households increasingly opted to plant rapeseed and have the rapeseed crushed by local crushing households to satisfy their home needs for crude rapeseed oil. Rapeseed planting is not fully driven by profits but other factors such as an individual family's self-sufficiency in vegetable oil, and at-home employment for people with limited work opportunities in cities.

China's National Statistics Bureau (NSB) has not yet released the MY17/18 rapeseed production. However, this statistic is often regarded by most industry sources as over-estimated. Compared to the CNGOIC's estimated MY17/18 rapeseed production of 14.3 MMT, another independent source made an extremely low estimate of 5.22 MMT for MY17/18 and forecast MY18/19 production further down to 5.13 MMT. Their estimate is based on firsthand anecdotal information from farmers and the market. Since MY12/13, the gap between the NSB and the industry rapeseed production estimate has widened significantly, with an average annual difference of more than 5 MMT.

Trade

Rapeseed imports in MY18/19 are forecast to recover to 4.7 MMT from the estimated 4.6 MMT in MY17/18. Forecast import growth is mostly supported by a forecast low domestic production but challenged by fluctuations in global supplies. Compared to the record imports of 5.04 MMT in MY13/14, the yearly rapeseed imports fell to an average of 4.1 MMT in MY15/16 and MY16/17. The drop is mainly attributed to China's stricter policy on foreign matter (FM) requirements on imported rapeseed. Relatively tight rapeseed global supplies raised rapeseed prices compared to other oilseeds. In addition, the sale of rapeseed oil reserves also discouraged imports during MY15/16. In MY16/17, Canada remained the largest rapeseed supplier to China accounting for 95 percent of market share. In light of the declining domestic production and a tentative agreement on FM requirements with China's largest rapeseed supplier, industry analysts believe rapeseed imports will recover in MY18/19. These imports are expected to meet domestic demand for rapeseed products and satisfy the domestic crushing capacity.

Crushing Capacity

Since 2015, China's rapeseed crushing capacity surpassed 40 MMT per year and this appears to be unchanged (some plants crush both rapeseed and soybeans) with a utilization rate of less than 50 percent. Total crushing capacity remained generally stable in 2017. Given a declining domestic rapeseed supply, investors will have less incentive to expand the crushing capacity further in MY17/18 and MY18/19.

Policy

Although some provinces still provide some limited subsidies to their rapeseed farmers, the government stopped its price support for rapeseed production in MY15/16 (see Chart 3). Since then, rapeseed prices decreased dramatically. Currently, the government maintains a planting seed subsidy of RBM150 ($24)/Ha.

Citing phytosanitary concerns, China's policy restricting the entry of rapeseed imports to only non-rapeseed producing regions remains unchanged. However, the establishment of rapeseed crushing plants in non-rapeseed

producing areas has minimized this policy's impact on imports. Additionally, AQSIQ has reached agreements with Russia and Mongolia on rapeseed imports for crushing.

Peanuts

Production

Based on a forecast area expansion, MY18/19 peanut production is forecast at 17.8 MMT, up from the estimated 17.5 MMT in MY17/18. Driven by strong domestic demand for peanut products both as food (various snacks, milk, etc.) and for cooking oil, peanut farming has been the most profitable crop in many peanut-producing provinces (namely Henan, Shandong and Hebei; see Chart 2). In 2016, peanut production appeared to lag behind demand, driving the domestic peanut price high and encouraging farmers to plant more peanuts in 2017. CNGOIC's estimate for MY17/18 peanut production is 18.1 MMT based on planted area of 4.95 MHa. A steady increase in peanut area in Henan, Shandong and Hebei appears to be at the expense of less cotton area due to low profits for cotton since 2016. The Henan Provincial Statistics reported that due to expansion of acreage, total peanut production hit 5.63 MMT in MY17/18, up by 0.54 MMT from the previous year. However, in MY18/19 additional significant expansions in peanut area are not expected as the peanut price for the MY17/18 crop decreased significantly as of January 2018. Industry sources estimated MY16/17 peanut starting price was about RMB1,000 ($156)/ton less than that in September 2017 and the price gap continued to expand to about RMB2,000 ($312)/ton or down 22 percent in December 2017. However, peanut profits are still higher than cotton in the leading peanut-producing provinces; this will support a generally stable peanut acreage. Industry insiders, however, speculate that domestic peanut production continues to be lower than what is officially reported.

Top Five Peanut Producing Provinces
(Area: 1,000 Ha & Prod: 1,000 tons)

MY	MY15/16		MY16/17		MY17/18*	
	Area	Production	Area	Production	Area	Production
Henan	1,075	4,853	1,120	5,020	1,272	5,630
Shandong	740	3,194	800	3,520		
Hebei	343	1,274	375	1,380		
Guangdong	366	1,090	370	1,065		
Anhui	191	944	200	960		
Nation	4,616	16,440	4,850	17,290	4,950	**18,100**
Nation Yield Kg/Ha	3,562		3,649		3,657	

Source: NSB; Note: *Data based on CNGOIC and Henan Provincial Report

Trade

--Imports

China's peanut imports are forecast at 300,000 tons for MY18/19, up only slightly from the estimated 250,000 tons for MY17/18. Imported peanuts are not expected to rise dramatically given the forecast growing domestic production and expected reduction in market price. In MY16/17, China's peanut imports (primarily for crushing) stood at 296,000 tons, down from the record imports of 541,000 tons in MY15/16. Smaller imports for MY16/17

are a combination of high domestic production and reduced price advantage for imported peanuts. Imports of peanuts for food use remain low due to sufficient domestic supplies.

Peanut imports are subject to a combined 15 percent import duty and 13 percent VAT. Senegal is China's main peanut supplier as it is exempted from Chinese import duties. Senegal peanut prices also remain very competitive compared to other suppliers such as Argentina, India and the United States. In MY16/17, Chinese imports of shelled peanuts were 171,000 tons, down from the 202,000 tons in MY15/16. Senegal supplied 67.4 percent of total imports followed by the United States supplying 13.3 percent and India at 9.6 percent. Chinese imports of in-shell peanuts plummeted to 67,000 tons in MY16/17 from the 272,000 tons in the previous year. The United States continued to be the only supplier. The reduced imports in MY16/17 are a direct result of large domestic supplies at lower prices.

The majority of imported peanuts are crushed for oil. A small percentage may be used for food/snacks provided the product meets quality requirements. Peanut imports can be impacted by the harvest of the domestic crop which usually falls from September to October.

Peanut oil imports are estimated at 100,000 tons for MY18/19, and forecast to stay unchanged in MY18/19 (equivalent to 315,000 tons of in-shell peanuts). Notwithstanding, peanut imports could potentially increase as Chinese crushers prefer to import seeds to crush rather than import peanut oil.

In general, the share of imported peanuts remains small compared to China's overall consumption. China's overall demand for peanut products and the exemption of import duty for African countries will continue to support moderate imports. However, peanut imports from other countries could increase only if the price gap between domestic and global prices fails to offset the duty and VAT. Given the forecast increase in domestic peanut production, it is unlikely that imports of peanuts will return to the record levels seen in MY15/16.

--Exports

In MY 18/19, Chinese peanut exports are expected to be stable at 700,000 tons, unchanged from MY17/18. Exports totaled 646,000 tons in MY16/17. A forecast stable increase in domestic production coupled with declining prices may strengthen exports in search for better profits. However, strong domestic demand together with strict import conditions in some of the major export markets will hinder any significant growth in exports.

Policy

Chinese government continues to provide a RMB150 ($24)/Ha planting seed purchase subsidy for peanut producers. As mentioned above, the government's reduced price support for grain and cotton appear to have encouraged additional peanut acreage in some major peanut-producing provinces since MY16/17.

Cottonseed

Production

Cottonseed production in MY18/19 is forecast to increase to 9.4 MMT, slightly up from the estimated 9.3 MMT in the previous year. MY18/19 cotton planting area is expected to increase by 1 percent from the previous year in response to an increase in domestic cotton prices resulting in moderately recovered profits in MY17/18. Official statistics on cottonseed production are not available. Post uses cotton production estimate to calculate cotton seed production. According to the China Cotton Association (CCA), MY17/18 cotton production is estimated at 6.05

MMT with production in Xingjian contributing about 5 MMT. Based on consultations with industry sources following lint ratios for Xinjiang and other provinces, Post adjusted MY17/18 cottonseed production to 9.3 MMT, lower than the USDA February estimate of 10.8 MMT.

Since MY14/15, the government replaced a four-year-old minimum price cotton purchase program with a target price-based direct subsidy. In 2017, the government fixed the target price for Xinjiang at RMB18,600 ($2,906)/ton for 2017 through 2019. This guarantees that basic returns for Xinjiang cotton farmers will continue. The new policy, however, favors farmers in Xinjiang over farmers in the Yangtze River and Yellow River regions. As a result, the cotton planted area in these regions has declined sharply since MY15/16 and remained stagnant in MY16/17 and MY17/18.

Based on CCA's survey results dated February 6, 2018, MY18/19 cotton planting intention is about 2.89 MHa, down 1.6 percent from the previous year. Planting intention is down 7.7 percent in the Yangtze River region and down 4 percent in the Yellow River region, while up 0.6 percent in Xinjiang. The survey result show that in MY17/18, seed cotton prices decreased in both the Yangtze River and the Yellow River regions and the marketing of seed cotton remained slow. In addition, the shortage of labor and uncertainty of the government's subsidy (reportedly at RMB2,000 or $312/ton) further reduced farmers' confidence on cotton planting. In Xinjiang, however, the government's target price program, lower labor costs resulting from the increased popularity of mechanized harvesting, and higher yield ensured basic returns for cotton farming in MY17/18. In addition, cotton remains the most reliable and safe cash crop in Xinjiang. Post believes cotton planting in marginal lands will continue in MY18/19.

In all other provinces, cotton is only planted in those regions where cotton has been traditionally planted and profits from alternative crops tend to be low. Additional significant planted area declines in these regions from the current low are unlikely in MY18/19.

Trade

China's domestic cotton seed production is forecast to recover moderately in MY18/19. Nonetheless, increased uses for cottonseed, such as in mushroom farming, have supported cottonseed imports to 265,000 tons in MY16/17, up from the 75,000 tons in MY15/16. Given the adequate supply of other oilseed products at competitive prices, sporadic imports of cottonseed may continue in MY17/18 and beyond. Imports of U.S. cottonseed must complete a Pest Risk Assessment before gaining access to the Chinese market. Currently, USDA continues to engage China's import authority on this process.

Other oilseeds

Camellia planting in southern provinces is booming. In the 13th Five-Year Development Plan for Oilseeds, the Chinese government set a target to increase the camellia planting area to 4.67 MHa by 2020 from the estimated 3.65 MHa in 2014. The camellia oil supply is targeted to increase to 1 MMT by 2020 from the estimated 500,000 tons in 2014. The plan also proposes to develop woody oilseed plants in 800 counties and increase planted area to 13.3 MHa from the current 8 MHa. Woody oilseed plants include camellia, walnut, and oil peony. Grown mainly on hilly lands in southern provinces of Hunan, Jiangxi and Guangxi, these woody plants pose no competition for arable land. Industry sources estimate total camellia oil production continued on a growing trend and is estimated at 600,000 tons in 2017. The annual target increase of 100,000 tons for camellia oil supply,

together with oil from other woody plants, satisfies high-end consumers' demand and could reduce the growth of China's imports of oilseed products.

Oilseed Meal Situation and Outlook

Total Meals

MY18/19 protein meal (including fish meal) production is forecast at 97.1 MMT, up 3.6 percent over the 93.7 MMT in the previous year. This rise is mainly attributable to the increased crushing of imported soybeans. MY18/19 total protein meal supply is forecast to reach 99.4 MMT. This forecast includes 2.3 MMT of meal imports, primarily fish meal and rapeseed meal.

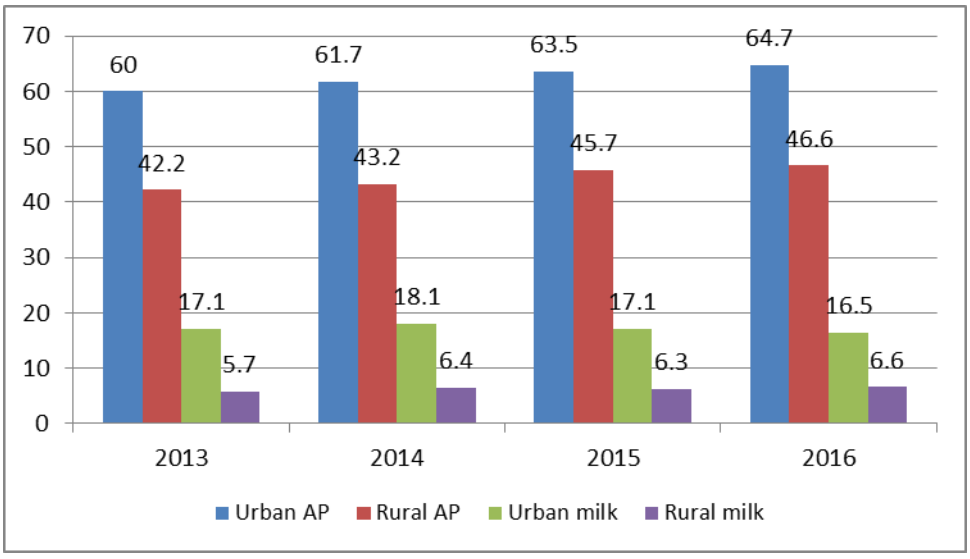
Total protein meal consumption in MY18/19 is forecast at 97.8 MMT, up 3.4 MMT or 3.6 percent from MY17/18. This increase is supported by steady growth in the demand for industrialized feed from China's livestock and aquaculture sectors. MY18/19 total protein meal feed use converted into soybean meal (SBM) equivalent is 94.9 MMT, up 3.7 percent from 91.5 MMT in MY17/18. The estimated feed use of SBM for MY16/17 hit 67.88 MMT, a net growth of 5.58 MMT compared to the previous year. The rapid growth is a combination of growth in demand for feed and animal production, and the need to satisfy a large gap in the supply of DDGS as a result of China's high anti-dumping and countervailing duties on U.S. imports imposed since January 2017. Prior to this action, Chinese annual imports of DDGS averaged over 5 MMT but plummeted to 0.42 MMT in 2017, and are expected to remain low in 2018. SBM is expected to continue to dominate the protein meal use in MY18/19, accounting for 78.1 percent of total meal consumption followed by rapeseed meal at 12 percent.

Consumption Outlook

Rapid Economic Growth Continues to Boost Protein Meal Use

In general, China's high GDP growth (up 6.7 percent in 2016 and 6.9 percent in 2017 and 6.5 percent as targeted by the government in 2018) continues to increase per capita disposal income and boost demand for more and higher quality animal products. The NSB reported that in 2016, China's urban per capita consumption of animal products stood at 64.7 Kg, up from the 63.5 Kg in 2015. On the other hand, in rural areas per capita consumption of animal products was significantly lower at 46.6 Kg. The rural per capita milk consumption of 6.6 Kg is also far below the 16.5 Kg urban per capita consumption. Nevertheless, Chinese meat consumption is still less than nearby markets such as Taiwan, whose combined per capita consumption of pork and poultry reached 71.2 Kg in 2011 (Taiwan Grain and Feed Annual 2013). Additionally, potential increases in protein consumption among the 589.7 million people living in rural areas (out of the total population of 1.38 billion by 2016) open opportunities for higher demand for protein meal.

Chart 7 - Comparison of Urban and Rural per Capita Consumption of Animal Products and Milk (in Kg)



Source: Table 6-9 and 6-14 2016 China Statistical Yearbook; Note: AP refers animal products which include pork, beef and mutton, poultry, fresh eggs, aquatic products for Urban, and pork, beef, mutton, poultry, egg and processed products and aquatic products

The overall increase in demand for meat and seafood is also fueled by population growth and urbanization. According to the NSB, from 2011 to 2015, China's average annual net population growth was 6.8 million. The government's amendment to the "one child policy" in 2016 pushed net population growth to 8.09 million in 2016 and 7.37 million in 2017. This growing trend is expected to continue in 2018 and beyond. Additionally, rapid urbanization continues with annual urban population growth averaging 20.1 million from 2011 to 2015, and 21.82 million new urban residents added in 2016. Greater demand for meats and seafood will continue to fuel animal production and the need for feed. Potential growth along the value chain signals encouraging prospects for oilseed meals in the coming years.

MOA estimates China's animal production growth will continue but at a lower rate during the coming years along with a slower GDP growth rate (compared to years prior to 2015) and an increasingly aging population. Given a significant increase in production costs and environmental concerns, MOA's priority which the industry is adopting, is to upgrade productivity, efficiency, and quality. The following table shows China's rapid expansion of animal scale farming in recent years and MOA's target by 2020. MOA estimated the overall animal scale farming rate averaged only about 40 percent in 2015 and plans to raise it to 50 percent by 2020.

China's Animal Scale Farming Share and Development Target (2005 -2020)
Percentage Out of Total Farms

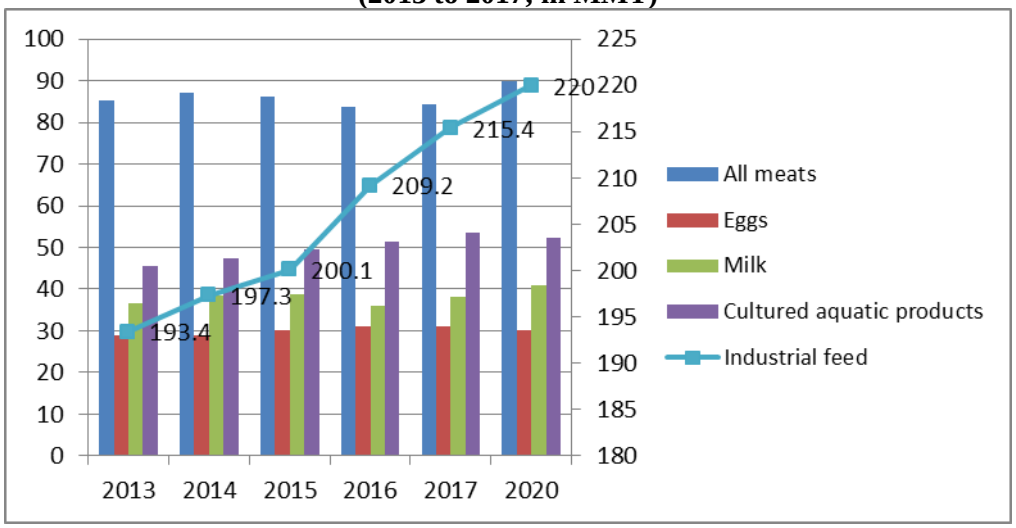
	Scale swine farms	Scale poultry farms	Scale dairy/cattle farms
2020	52%		
2016	50% (est)	92%	50%/27.5%
2010	34%	82%	28%
2005	16%	66%	11%

Source: MOA; Note: Swine scale farming refers to farms with yearly slaughtered 500 pigs or more; dairy farms with inventory of 100 or above; cattle farms with yearly slaughtered 50 or above

Steady growth and advancement of the animal production sector continues to drive industrialized feed production. The table below shows MOA's 13th Five-Year (2016 - 2020) Agriculture Development Target for animal products by 2020. Specifically, by 2020 total meat, milk, and cultured aquatic production is targeted to reach 90

MMT, 41 MMT and 52.4 MMT, respectively. This requires an average annual growth rate at 4.3, 5.9 and 6 percent from 2015 production levels. While MOA's egg production is targeted to grow to 30 MMT by 2020, the NSB data for 2016 shows production had already reached 30.95 MMT. MOA's 13th Five-Year Feed Industry Development Plan (2016 - 2020) set a target feed production of 220 MMT by 2020 with annual growth of 4 MMT from 2016 through 2020. Given the poultry sector's industrialized feed utilization rate exceeds 90 percent, major growth in feed demand will be driven by increasing scale farming for swine and ruminant animals. To achieve the target for animal products, MOA's forecast for newly added demand for protein meal is 1 to 1.25 MMT per year during 2016 to 2020. However, according to CNGOIC, total feed production in 2017 is estimated at 215.4 MMT, up 3 percent from 209.2 MMT in 2016. CNGOIC's estimate for 2017 compound feed production is 190.5 MMT, 3.5 percent higher than the previous year.

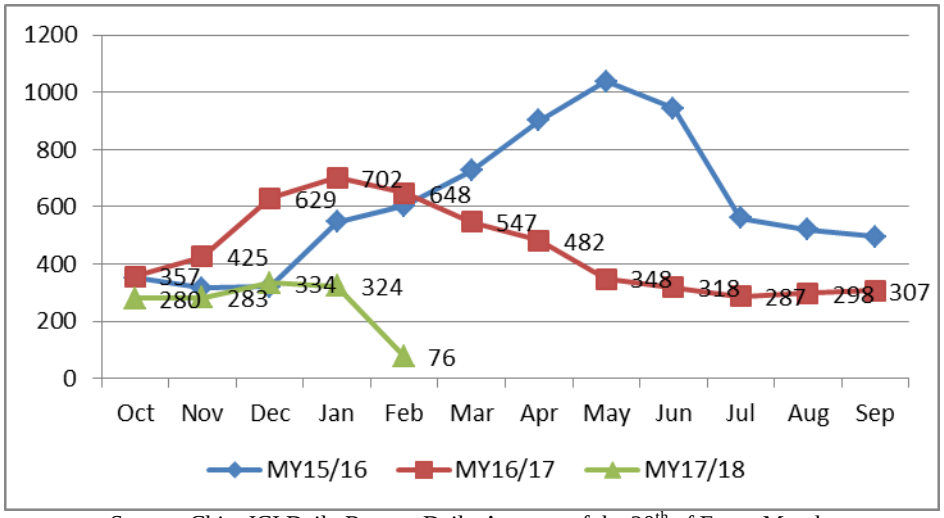
Chart 8 - Production Data of Major Animal Products and Industrial Feed (2013 to 2017; in MMT)



Source: NSB and MOA and CNGOIC; 2017 eggs and milk production estimated by FAS/Beijing

A steady recovery in animal production is also reflected by NSB data which indicates total meat production increased 0.8 percent to 84.31 MMT in 2017. Specifically, production of pork meat is up 0.8 percent, beef is up 1.3 percent, mutton is up 1.8 percent, and poultry is up 0.5 percent. Total slaughtered pigs hit 688 million heads, up 0.5 percent from 2016. Chinese swine production is expected to continue moderate growth in 2018. As shown in Chart 9, swine profits were high over the last two years but declined in late February 2018 (after China's Spring Festival). Some industry analysts estimate that the long period of high swine profits may come to an end in 2018. However, the impact on overall feed production/consumption in the coming months deserves attention.

Chart 9 - Swine Profit Margins (Oct 2015 to Feb 2018; RMB/Head)



Source: ChinaJCI Daily Report; Daily Average of the 20th of Every Month;
Exchange rate in 2018: $1= RMB6.4

Advancement of Animal Husbandry Supports Growth in Protein Meal Use

High investment in scale swine farming drives demand for compound feed. In addition to the expansion of production capacity by existing swine farming facilities, new investment in scale swine farms remains robust since 2016 in response to good swine profits and more than offset the fall in production capacity due to closures of small scale/household farms. Based on industry statistics, total investment in animal farming by publicly traded agricultural companies surged to RMB49 billion ($7.2 billion) in 2016, ten times that of 2015. If the above swine producing-capacity is fully realized, industry sources estimate that an additional 9 MMT of industrial feed will be needed. Industry sources anticipate that the majority of these farms will be operational by 2018.

It is worth noting that the government's strict environmental regulations contributed to the significant fall in swine/sow inventory in eastern provinces since 2016. On the other hand, large companies continued to expand. The Wen's Group, China's number one agriculture producing company, is reported to have added 6 million head of swine production capacity with 4.5 million head in operation as of September 2017. According to monitored villages/farms, in September 2017, in the regions encouraged to raise pigs such as Shaanxi Province, swine inventory rose by 2.9 percent and sow by 3.3 percent. In light of consistent good swine profits since 2015, sows in "banned regions" have mostly relocated to farms/households located in regions where the government's development plan allows animal farming.

In addition, traditional small-scale operations are phasing out the use of self-mix feed for alternative feeds to improve productivity and efficiency. Total SBM inclusion in feed is expected to strengthen along with the growth of industrialized feed production.

The following table shows an estimate for feed needed for pork, egg and poultry meat production based on a normal feed conversion rate. Combining all animal production, China's total feed consumption largely exceeds MOA's official feed production.

Feed Demand Estimates Based on Major Animal Products Volume (in MMT)

	Pork	Eggs	Poultry Meat	Feed Demand Estimate	MOA total feed production
2017	54.30	31.00	18.97	329.04	215.4*
2016	52.99	30.95	18.88	327.10	209.2

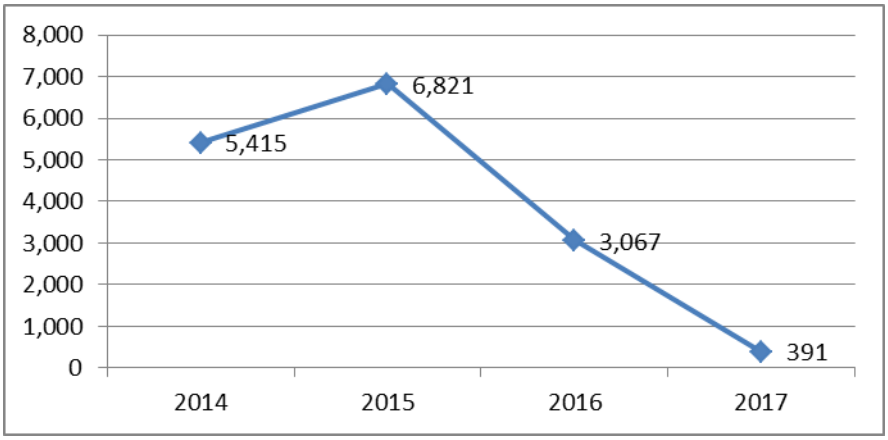
2015	54.87	29.99	18.26	330.98	200.1

Source: NSB and MOA; *CNGOIC Estimates; Note: Feed conversion rate for swine - 3:1 and for eggs -2.5:1; poultry -1.8:1;

Shortage of DDGS Imports Substituted by Protein Meals

On January 11, 2017, China's Ministry of Commerce (MOFCOM) announced its final ruling on anti-dumping and countervailing duties on DDGS from the United States by requiring importers to pay a combined duty and value added tax rate up to 91.26 percent of the CNF price effective on January 12, 2017. China's DDGS imports plummeted to 0.42 MMT in 2017 from the averaged 5.1 MMT per year during 2014-2016. China feed industry insiders believe that SBM is still the best replacement for DDGs although DDGS can be utilized as both energy and protein ingredients. China's domestic DDGS production in 2018 is likely to increase given the government encouraged production of ethanol utilizing aged corn reserves, but total production remains limited and the quality of the corn reserves may be a concern.

Chart 10 - China's DDGS Imports Plummeted in 2017 (in 1,000 tons)



Source: GTA

Protein Meal Trade

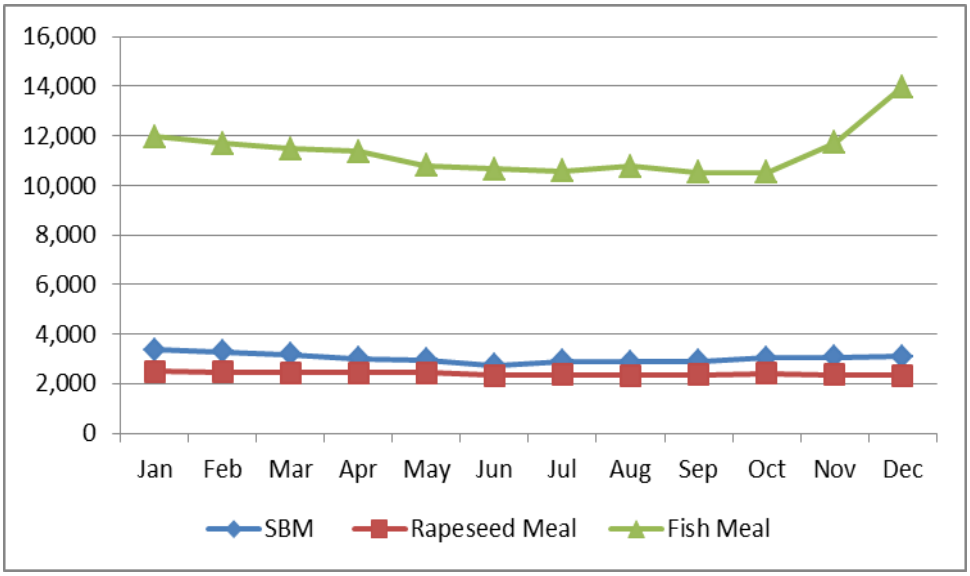
Except for fish meal, protein meal trade has been unstable in recent years. Sporadic imports/exports of some protein meals will continue in the foreseeable future. Both feed mills and crushing plants may choose to trade between nearby countries rather than domestic provinces to regulate the regional supply/demand. The difference in market prices, cost effectiveness, and more importantly ease of transport are factors impacting trade decisions. With the exception of SBM exports, total export volume of other oilseed meals is expected to be insignificant in China's huge protein meal matrix. Rapeseed meal imports increased in MY16/17 and are likely to continue in the near future based on a declining domestic production.

Soybean Meal

Production

Soybean Meal (SBM) continues to dominate the protein meal complex with the MY18/19 production forecast at 77.62 MMT, up 4.3 percent over the estimated 74.45 MMT in MY17/18. MY18/19 SBM consumption is forecast at 76.27 MMT from 73.11 MMT in the previous year. It is worth noting that the high net growth in SMB consumption during MY16/17 is partly prompted by the expected shortage of DDGS supplies and low supply of other protein meals. Post estimates that SBM consumption in MY17/18 and beyond will continue to rise from the high level in MY16/17 but at a normal growth rate. The SBM price trended downward in 2017 with December prices down 8.6 percent from January. However, the SBM price rebounded in March 2018 in response to lower Argentine soybean production and low supplies from crushing plants due to the Chinese Spring Festival vacation. Given the continued growth in the animal production sector and the demand for more protein ingredients, the impact on SBM production and use resulting from the SBM price recovery will be limited.

Chart 11 – 2017 China's Monthly Average Wholesale Price for Major Protein Meals (RMB/ton)



Source: ChinaJCI; Exchange Rate in 2017: $1=RMB6.6

Trade

In MY18/19, China's SBM exports are expected to be 1.4 MMT, unchanged from the estimate for MY17/18 but higher than 1.1 MMT in MY16/17. As domestic SBM production continues to grow, SBM exports to nearby markets such as Japan, Vietnam and Korea are likely to recover. Chinese SBM exports will continue in limited volume as crushing plants/traders take advantage of price differences and delivery logistics with foreign markets. Chinese SBM imports have been minimal in recent years because of China's large domestic SBM production. In general, SBM trade remains insignificant in proportion to China's large domestic consumption.

Rapeseed Meal

Post's forecast for MY18/19 rapeseed meal imports is 0.95 MMT, slightly up from the estimated 0.9 MMT for MY17/18 and 0.88 MMT for MY16/17. Increase in rapeseed meal imports in MY16/17 is believed to be triggered by lower-than-reported domestic rapeseed production. Domestic rapeseed meal consumption continues

to be driven primarily by the growing aquaculture sector, in particular, carp cultivation. Due to affordable price and freshness, carp remains the most popular cultured freshwater fish with total production of 20.39 MMT in 2016, up from 19.66 MMT in 2015. Carp production is estimated to grow further in 2017. Rapeseed meal is a traditionally popular ingredient in carp feed formulas.

Fishmeal

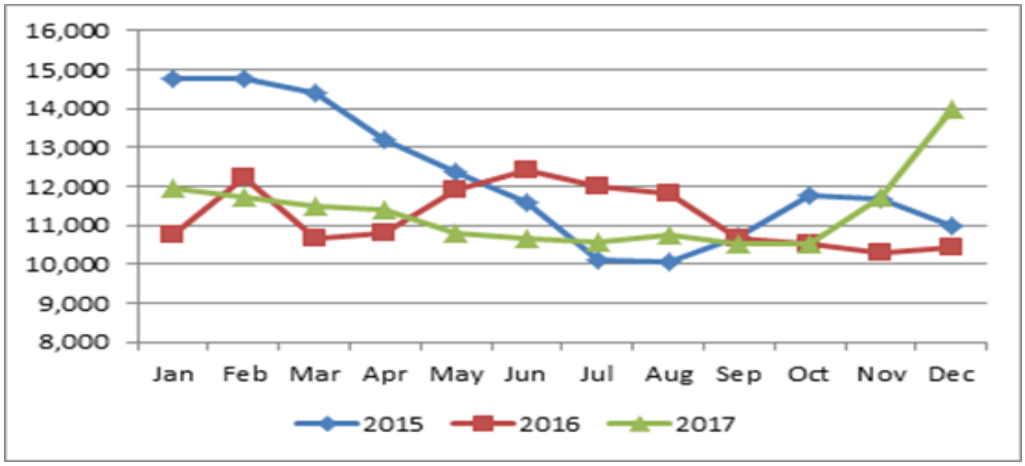
Production

Post's MY18/19 forecast for China's domestic fishmeal production stands at about 0.4 MMT, unchanged from the estimate for MY17/18. Industry sources differ regarding data on domestic fish meal production as the statistics can be based on different raw materials used and quality. Generally, domestic fish meal production is shrinking due to declining catch.

Imports

Fishmeal imports for MY18/19 are projected at 1.2 MMT, unchanged from the MY17/18 estimate. This reflects the Chinese aquaculture sector's average consumption level of fish meal and stagnant domestic fishmeal production. During 2017, Chinese fish meal imports hit record of 1.58 MMT mainly due to favorable international market prices. The current fish meal inventory could be higher than average given the record imports in 2017. The global fish meal price recovered strongly at the end of 2017 which may slow Chinese imports in 2018.

Chart 12 - China's Average Wholesale Price for Fish Meal (RMB/ton, 2015-2017)



Source: ChinaJCI; Exchange rate in 2017 $1=RMB6.6

China's fish meal import growth is increasingly constrained by the fluctuation of global fish meal supply and stronger prices. Chinese animal nutritionists spare no effort to adjust feed formula to minimize fish meal inclusion rate when global fish meal supply is tight and becomes unaffordable. However, feed for cultured carnivorous species including shrimp, eel, softshell turtle, high value fish, etc. continues to require the inclusion of a minimum level of fish meal. Fish meal use in swine and poultry feed is expected to fall to a very low level. Driven by a growing aquaculture capacity and assuming normal global supplies, China's annual fish meal imports are expected to stand above 1 MMT.

In 2017, Peru remained China's largest fishmeal supplier at 883,000 tons. Imports from the United States stood at 104,000 tons, down from 114,000 tons in 2016, likely due to ample supplies from Peru and other countries.

Oil Situation and Outlook

Total vegetable oil production for MY18/19 is forecast at 29.44 MMT, up 3 percent from the MY17/18 estimate. Soybean oil will continue to be the primary vegetable oil in China, accounting for 59.6 percent of total oil production in MY18/19, followed by rapeseed oil (24.1 percent) and peanut oil (10.1 percent).

Post's MY18/19 forecast for total vegetable oil consumption is 37.14 MMT, up 3.2 percent (a net growth of 1.16 MMT) compared to the previous year. As mentioned above, China's constant high GDP growth is expected to increase consumers' disposable income. Fast urbanization and population growth will also fuel demand for more vegetable oil. NSB statistics show that in the recent four years, vegetable oil consumption for urban consumers grew slightly. However, annual per capita vegetable oil consumption in rural areas is still 1.3 Kg lower than in urban areas. Despite the government's restrictions on hosting banquets/meals, China's catering industry revenue for 2017 grew 10.7 percent from the previous year. This implies that income growth contributed to more consumers dining out and hosting private celebrations and banquets. Growth in consumption of vegetable oils among rural residents and more consumers dining out are expected to encourage demand for more vegetable oils in 2018 and beyond.

China's food processing industry will also be a driving force for vegetable oil consumption in the coming years. China's bakery industry expanded rapidly in recent years with sales value estimated at $70.5 billion in 2017, up 147 percent compared to 2012.

It is important to note that China's combined production of specialty oils, including camellia oil, sesame oil, and other minor oils, such as corn oil and rice oil, is increasing along with diversified consumer demand. As a result, specialty oils are gaining market share from other vegetable oils.

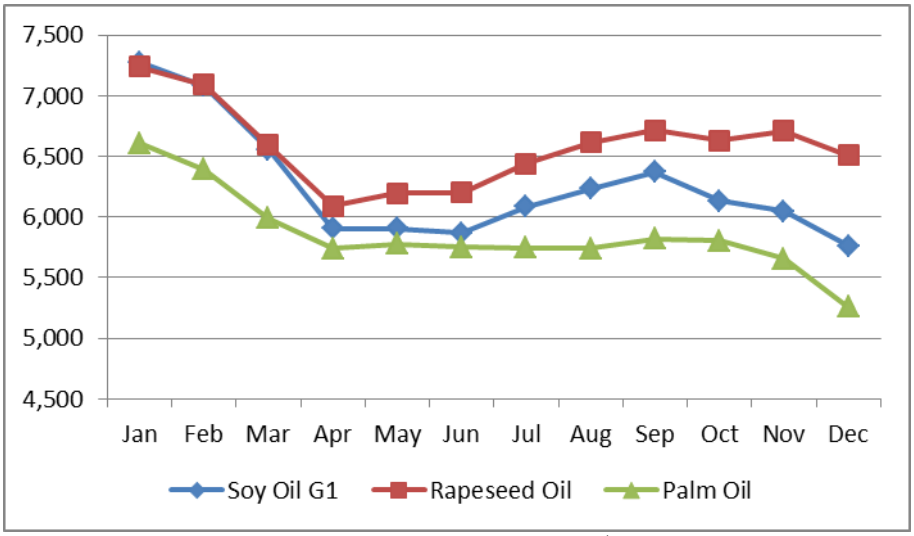
In MY18/19, domestic consumption of oil for food-use is forecast at 34.88 MMT, up 3.3 percent from MY17/18. Similarly, domestic consumption of oil for industrial use (e.g. cosmetics, feed, etc.) is forecast to increase by a steady 2.5 percent to 2.25 MMT in MY18/19.

MY18/19 total oil imports are forecast at 7.24 MMT, slightly up from the previous year. In general, adequate availability of domestic vegetable oils will hinder growth in imports. However, this is not the case for specialty oils such as palm oil (not produced domestically), sunflower seed oil (limited domestic supply) and olive oil. Palm oil continues to dominate vegetable oil imports and is forecast to be stable at 4.85 MMT in MY17/18 and up to 4.9 MMT in MY18/19. Growth in palm oil imports is increasingly impacted by stagnant demand from the instant noodle industry, and adequate supplies of other vegetable oils at more competitive prices. In addition to consumers' diversified preference, one of the factors supporting consumption of sunflower seed oil is lingering sensitivities to GMO-derived soybean oil and rapeseed oil.

Taking into account the strong forecast for soybean imports, in MY18/19 imports of soybean oil are forecast to stay flat at 500,000 tons. Rapeseed oil imports are forecast at 820,000 tons, up slightly from the previous year as rapeseed imports continue to face inspection uncertainties while demand for rapeseed oil remains.

Towards the end of 2017, the wholesale price for major vegetable oils decreased. Prices for both soybean oil and palm oil declined over 20 percent in December 2017 as compared to January. The December price for rapeseed oil also fell 10 percent from January 2017. Palm oil consumption could be constrained as there is less incentive for blending palm oil with other oils as "salad oil."

Chart 13 – 2017 Wholesale Price for Major Vegetable Oils (RMB/ton)



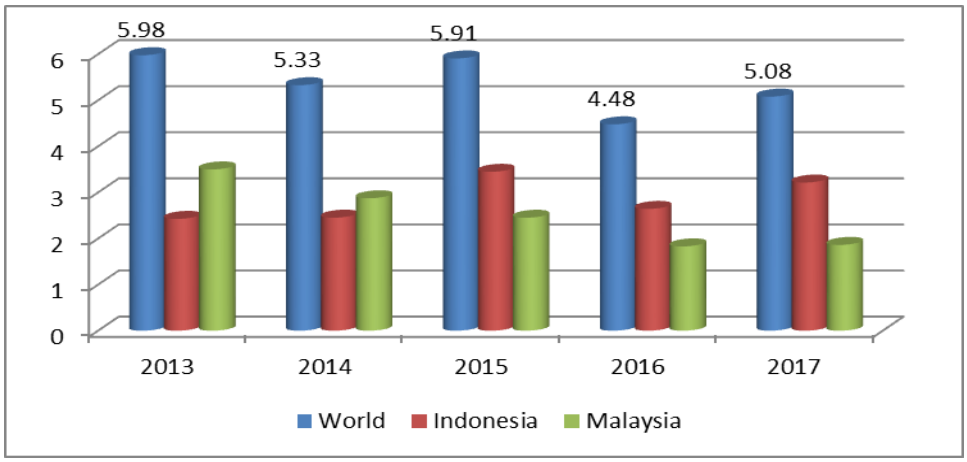
Source: China JCI; Exchange rate in 2017 $1=RMB6.6

It should be mentioned that forecasting trends in China's vegetable oil market remains a challenge given the differing data on domestic rapeseed production and the unknown volume of vegetable oil reserves. In recent years, some industry sources estimate the actual yearly production of rapeseed to be several million tons lower than the official number. Based on currently available data, the forecast for China's per capita vegetable oil consumption in MY17/18 appears to have exceeded 24 Kg, which appears to surpass the level of similar but more developed economies such as Taiwan. This is not necessarily an accurate representation of the actual market situation. If the volume of domestic rapeseed continues to be overestimated, forecasting China's vegetable oils trends will present an even greater challenge in the coming years.

Palm Oil

MY18/19 palm oil imports are forecast at 4.9 MMT, up slightly from the previous year estimate. China's palm oil imports peaked in MY12/13 at 6.59 MMT mainly driven by lower prices. Palm oil imports had fallen since MY15/16 given relatively tight global supplies and an increasing availability of competing vegetable oils at competitive prices in the Chinese market. However, global palm oil production recovered in 2017 and is expected to continue its recovery in 2018.

Chart 14 - China's Palm Oil Imports by Country of Origins (2013-2017; MMT)



Source: Global Trade Atlas

Lower soybean oil prices, discourages blending of palm oil with other vegetable oils for cooking. As mentioned above, the food processing industry in China uses large amounts of palm oil in processed foods, especially instant noodles. However, due to increasing market saturation, China's rapid growth in the production of instant noodles has leveled off since 2014. Instant noodle production recovered modestly in 2016. While there is no production data available for 2017 it is unlikely that production grew. Taking into account the saturation of China's instant noodle market, in the near term, the prospect for the industry to further expand its use of palm oil appears pessimistic. Forecast adequate global palm oil supplies at favorable prices may encourage Chinese buyers to add palm oil imports in MY18/19.

Changes in Vegetable Oil Import Policy

On January 1, 2013, AQSIQ implemented additional import inspection requirements for edible and crude vegetable oils. AQSIQ's clarification on specific items to be certified and the laboratories qualified for providing such test reports and certificates remains vague (see more in Post's CH13005 Report). However, as of this report, there are no alerts of trade disruptions related to this issue.

--AQSIQ Notice Soliciting Comments on the "Administrative Measures for Foreign Food Importer's Review and Inspection of Overseas Enterprises"

Under China's 2015 Food Safety Law, there are new requirements instructing importers to review relevant documents provided by their foreign suppliers (exporters and producers). Correspondingly, in 2015, AQSIQ issued a draft measure suggesting that the imported food products that fall in seven designated categories must have on-site inspection. Hence importers are required to conduct on-site inspection of the exporters as well as producers. The draft also recommended punishment in the case of importers' failure to comply with the outlined requirements. The Catalogue of Products that Must Have On-site Inspection includes bulk vegetable oil among other products. Details on the draft remain vague but Chinese authorities have indicated that this will likely affect all vegetable oils imports including crude and consumer-ready oils. As of this report, AQSIQ has not finalized the draft and has not notified the World Trade Organization of this measure. Post continues to monitor this development.

Statistics Tables

Total Oilseeds, Total Meal, and Total Oil PSD Tables

Table 1. Total Oilseeds

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Total Oilseeds (1000 tons; 1000Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	15,967	23,334	17,200	24,155	0	24,150
Area Harvested	23,238	23,334	24,000	24,155	0	24,150
Beginning Stocks	18,324	18,324	21,891	21,167	0	22,557
Production	56,336	56,616	58,450	58,550	0	58,600
MY Imports	98,420	98,420	102,400	102,200	0	105,300
TOTAL SUPPLY	173,080	173,360	182,391	181,917	0	186,457
MY Exports	1,125	1,125	1,100	1,210	0	1,200
Crush Dom. Cons.	124,365	125,183	132,750	130,990	0	135,430
Food Use Dom. Cons.	19,060	19,260	19,965	20,095	0	20,150
Feed,Seed,Waste Dom.Cons.	6,639	6,625	7,100	7,065	0	7,176
TOTAL Dom. Consumption	150,064	151,068	159,480	158,150	0	162,756
Ending Stocks	21,891	21,167	21,826	22,557	0	22,501
TOTAL DISTRIBUTION	173,080	173,360	182,391	181,917	0	186,457

Table 2. Total Meals

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Total Meal (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	125,465	126,383	132,570	132,090	0	136,530
Extr. Rate, 999.9999					0	
Beginning Stocks	0	0	0	0	0	0
Production	88,689	89,244	94,332	93,695	0	97,057
MY Imports	2,642	2,642	2,031	2,260	0	2,300
TOTAL SUPPLY	91,331	91,886	96,143	95,955	0	99,357
MY Exports	1,156	1,158	1,452	1,440	0	1,440
Industrial Dom. Cons.	1,702	1,811	1,752	1,800	0	1,830
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	88,473	88,731	92,991	92,647	0	95,999
TOTAL Dom. Consumption	90,175	90,542	94,701	94,447	0	97,829
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	91,331	91,886	96,323	95,955	0	99,357
SBM Equivalent	87,506	87,869	90,212	91,528	0	94,900

Table 3. Total Oils

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Total Oils (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	124,365	125,183	122,970	130,990	0	135,430
Extr. Rate, 999.9999					0	
Beginning Stocks	4,345	4,345	3,562	4,242	0	3,869
Production	27,396	27,574	28,761	28,593	0	29,442
MY Imports	7,364	7,365	7,110	7,140	0	7,240
TOTAL SUPPLY	39,031	39,284	39,472	39,975	0	40,551
MY Exports	148	146	120	136	0	124
Industrial Dom. Cons.	2,150	2,100	2,200	2,200	0	2,250
Food Use Dom. Cons.	33,245	32,796	34,062	33,770	0	34,885
Feed Waste Dom. Cons.	0	0	0	0	0	0
TOTAL Dom. Consumption	35,377	34,896	36,312	35,970	0	37,135
Ending Stocks	3,501	4,242	3,040	3,869	0	3,292
TOTAL DISTRIBUTION	39,031	39,284	39,472	39,975	0	40,551

Oilseeds PSD Tables

Table 4. Soybeans

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Soybean (1000 tons; 1000 Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	7,200	7,150	7,850	7,900	0	7,850
Area Harvested	7,200	7,150	7,850	7,900	0	7,850
Beginning Stocks	16,910	16,910	20,391	19,691	0	20,961
Production	12,900	12,900	14,200	14,550	0	14,300
MY Imports	93,495	93,495	97,000	97,000	0	100,000
Total Supply	123,305	123,305	131,591	131,241	0	135,261
MY Exports	114	114	150	150	0	150
Crush	88,000	88,500	95,000	94,000	0	98,000
Food Use Dom. Cons.	11,300	11,500	12,100	12,230	0	12,230
Feed Waste Dom. Cons.	3,500	3,500	3,700	3,900	0	4,000
Total Dom. Cons.	102,800	103,500	110,800	110,130	0	114,230
Ending Stocks	20,391	19,691	20,641	20,961	0	20,881
Total Distribution	123,305	123,305	131,591	131,241	0	135,261

Table 5. Rapeseed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Rapeseed (1000 tons;1000 Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	0	7,331	0	7,180	0	7,100
Area Harvested	7,331	7,331	6,800	7,180	0	7,100
Beginning Stocks	1,240	1,240	1,346	1,346	0	1,446
Production	14,546	14,546	13,100	14,300	0	14,100
MY Imports	4,260	4,260	4,700	4,600	0	4,700
Total Supply	20,046	20,046	19,146	20,246	0	20,246
MY Exports	0	0	0	0	0	0
Crush	18,100	18,100	17,500	18,200	0	18,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	600	600	600	600	0	600
Total Dom. Cons.	18,700	18,700	18,100	18,800	0	18,800
Ending Stocks	1,346	1,346	1,046	1,446	0	1,446
Total Distribution	20,046	20,046	19,146	20,246	0	20,246

Table 6. Peanuts

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Peanut (1000 tons; 1000 Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	4,727	4,750	4,850	4,850	0	4,900
Area Harvested	4,727	4,750	4,850	4,850	0	4,900
Beginning Stocks	0	0	0	0	0	0
Production	17,290	17,280	17,500	17,500	0	17,800
MY Imports	295	295	350	250	0	300
Total Supply	17,585	17,575	17,850	17,750	0	18,100
MY Exports	646	646	650	700	0	700
Crush	9,050	9,059	9,250	9,050	0	9,300
Food Use Dom. Cons.	6850	6850	6950	6950	0	7,000
Feed Waste Dom. Cons.	1039	1020	1000	1050	0	1,100
Total Dom. Cons.	16,939	16,929	17,200	17,050	0	17,400
Ending Stocks	0	0	0	0	0	0
Total Distribution	17,585	17,575	17,850	17,750	0	18,100

Table 7. Sunflower Seed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Sunflower seed (1000 tons; 1000 Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	940	1,153	1,100	1,100	0	1,150
Area Harvested	1,080	1,153	1,100	1,100	0	1,150
Beginning Stocks	174	174	154	130	0	150
Production	2,800	2,990	2,850	2,900	0	3,000
MY Imports	105	105	100	100	0	100
Total Supply	3,079	3,269	2,754	3,130	0	3,250
MY Exports	365	365	300	360	0	350
Crush	1,550	1,759	1,650	1,600	0	1,700
Food Use Dom. Cons.	910	910	915	915	0	920
Feed Waste Dom. Cons.	100	105	100	105	0	106
Total Dom. Cons.	2,560	2,774	2,330	2,620	0	2,726
Ending Stocks	154	130	139	150		174
Total Distribution	3,079	3,269	2,754	3,130	0	3,250

Table 8. Cottonseed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Cottonseed (1000 tons; 1000 Ha)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted (Cotton)	3,100	2,950	3,400	3,125	0	3,150
Area Harvested (Cotton)	2,900	2,950	3,400	3,125	0	3,150
Seed to Lint Ratio	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	8,800	8,900	10,800	9,300	0	9,400
MY Imports	265	265	250	250	0	200
Total Supply	9,065	9,165	11,050	9,550	0	9,600
MY Exports	0	0	0	0	0	0
Crush	7,665	7,765	9,350	8,140	0	8,230
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,400	1,400	1,700	1,410	0	1,370
Total Dom. Cons.	9,065	9,165	11,050	9,550	0	9,600
Ending Stocks	0	0	0	0	0	0
Total Distribution	9,065	9,165	11,050	9,550	0	9,600

Meal PSD Tables

Table 9. Soybean Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Soybean (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	88,000	88,500	95,000	94,000	0	98,000
Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0	0.792
Beginning Stocks	0	0	0	0	0	0
Production	69,696	70,092	75,240	74,448	0	77,616
MY Imports	61	61	30	60	0	50
Total Supply	69,757	70,153	75,270	74,508	0	77,666
MY Exports	1,111	1,111	1,400	1,400	0	1,400
Industrial Dom. Cons.	1,050	1,159	1,100	1,200	0	1,220
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	67,596	67,883	72,770	71,908	0	75,046
Total Dom. Cons.	68,646	69,042	73,870	73,108	0	76,266
Ending Stocks	0	0	0	0	0	0
Total Distribution	69,757	70,153	75,270	74,508	0	77,666

Table 10. Rapeseed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Rapeseed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	18,100	18,100	17,500	18,200	0	18,200
Extr. Rate, 999.9999	0.5951	0.5951	0.5951	0.5951	0	0.5951
Beginning Stocks	0	0	0	0	0	0
Production	10,771	10,771	10,414	10,831	0	10,831
MY Imports	875	875	900	900	0	950
Total Supply	11,646	11,646	11,314	11,731	0	11,781
MY Exports	12	12	15	15	0	20
Industrial Dom. Cons.	450	450	450	450	0	450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	11,184	11,184	10,849	11,266	0	11,311
Total Dom. Cons.	11,634	11,634	11,299	11,716	0	11,761
Ending Stocks	0	0	0	0	0	0
Total Distribution	11,646	11,646	11,314	11,731	0	11,781

Table 11. Peanut Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Peanut (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	9,050	9,059	9,250	9,050	0	9,300
Extr. Rate, 999.9999	0.400	0.400	0.400	0.400	0.000	0.400
Beginning Stocks	0	0	0	0	0	0
Production	3,620	3,624	3,700	3,620	0	3,720
MY Imports	123	123	100	100	0	100
Total Supply	3,743	3,747	3,800	3,720	0	3,820
MY Exports	1	3	2	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,742	3,744	3,798	3,720	0	3,820
Total Dom. Cons.	3,742	3,744	3,798	3,720	0	3,820
Ending Stocks	0	0	0	0	0	0
Total Distribution	3,743	3,747	3,800	3,720	0	3,820

Table 12. Sunflower Seed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Sunflowerseed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	1,550	1,759	1,320	1,600	0	1,700
Extr. Rate, 999.9999	0.545	0.545	0.546	0.545	0	0.545
Beginning Stocks	0	0	0	0	0	0
Production	845	959	899	872	0	927
MY Imports	0	0	1	0	0	0
Total Supply	845	959	720	872	0	927
MY Exports	32	32	25	25	0	20
Industrial Dom. Cons.	62	62	62	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	751	679	645	779	0	819
Total Dom. Cons.	813	741	705	779	0	819
Ending Stocks	0	0	0	0	0	0
Total Distribution	845	959	900	872	0	927

Table 13. Cotton Seed Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Cottonseed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	7,665	7,765	8,400	8,140	0	8,230
Extr. Rate, 999.9999	0.433	0.433	0.4332	0.4329	0	0.4329
Beginning Stocks	0	0	0	0	0	0
Production	3,321	3,362	3,639	3,524	0	3,563
MY Imports	0	0	0	0	0	0
Total Supply	3,321	3,362	3,639	3,524	0	3,563
MY Exports	0	0	5	0	0	0
Industrial Dom. Cons.	140	140	140	150	0	160
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	3,181	3,222	3,494	3,374	0	3,403
Total Dom. Cons.	3,321	3,362	3,634	3,524	0	3,563
Ending Stocks	0	0	0	0	0	0
Total Distribution	3,321	3,362	3,639	3,524	0	3,563

Table 14. Fish Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Fish (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		1/2017		1/2018		1/2019
Catch For Reduction	1,100	1,200	1,100	1,100	0	1,100
Extr. Rate, 999.9999	0.396	0.3633	0.3636	0.3636	0	0.3636
Beginning Stocks	0	0	0	0	0	0
Production	436	436	440	400	0	400
MY Imports	1,583	1,583	1,000	1,200	0	1,200
Total Supply	2,019	2,019	1,400	1,600	0	1,600
MY Exports	0	0	5	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2,019	2,019	1,435	1,600	0	1,600
Total Dom. Cons.	2,019	2,019	1,395	1,600	0	1,600
Ending Stocks	0	0	0	0	0	0
Total Distribution	2,019	2,019	1,400	1,600	0	1,600

Oils PSD Tables

Table 15. Soybean Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Soybean (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	88,000	88,500	86,500	94,000	0	98,000
Extr. Rate, 999.9999	0.179	0.1792	0.1792	0.1792	0	0.1792
Beginning Stocks	523	523	536	948	0	1,337
Production	15,770	15,860	17,024	16,845	0	17,562
MY Imports	711	711	500	500	0	500
Total Supply	17,004	17,094	18,060	18,293	0	19,399
MY Exports	118	118	100	120	0	110
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	16,350	16,028	17,400	16,836	0	17,889
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	16,350	16,028	17,400	16,836	0	17,889
Ending Stocks	536	948	560	1,337	0	1,400
Total Distribution	17,004	17,094	18,060	18,293	0	19,399

Table 16. Rapeseed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Rapeseed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	18,100	18,100	17,500	18,200	0	18,200
Extr. Rate, 999.9999	0.390	0.39	0.39	0.39	0	0.39
Beginning Stocks	3,633	3,633	2,776	2,776	0	1,964
Production	7,059	7,059	6,825	7,098	0	7,098
MY Imports	802	802	750	800	0	820
Total Supply	11,494	11,494	10,351	10,674	0	9,882
MY Exports	18	18	10	10	0	8
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	8,700	8,700	8,100	8,700	0	8,600
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	8,700	8,700	8,100	8,700	0	8,600
Ending Stocks	2,776	2,776	2,241	1,964	0	1,274
Total Distribution	11,494	11,494	10,351	10,674	0	9,882

Table 17. Peanut Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Peanut (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	9,050	9,059	9,250	9,050	0	9,300
Extr. Rate, 999.9999	0.32	0.32	0.32	0.32	0	0.32
Beginning Stocks	0	0	0	0	0	0
Production	2,896	2,899	2,960	2,897	0	2,980
MY Imports	111	112	130	100	0	100
Total Supply	3,007	3,011	3,090	2,997	0	3,080
MY Exports	8	6	5	5	0	6
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	2,999	3,005	3,085	2,992	0	3,074
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2,999	3,005	3,085	2,992	0	3,074
Ending Stocks	0	0	0	0	0	0
Total Distribution	3,007	3,011	3,090	2,997	0	3,080

Table 18. Cotton Seed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Cottonseed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	7,665	7,765	8,400	8,140	0	8,230
Extr. Rate, 999.9999	0.146	0.145	0.1455	0.145	0	0.145
Beginning Stocks	0	0	0	0	0	0
Production	1,115	1,126	1,360	1,180	0	1,193
MY Imports	0	0	0	0	0	0
Total Supply	1,115	1,126	1,222	1,180	0	1,193
MY Exports	2	2	5	1	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,113	1,124	1,355	1,179	0	1,193
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,113	1,124	1,217	1,179	0	1,193
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,115	1,126	1,222	1,180	0	1,193

Table 19. Sunflower Seed Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Sunflower Seed (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	1,550	1,759	1,320	1,600	0	1,700
Extr. Rate, 999.9999	0.359	0.3582	0.3598	0.3581	0	0.3582
Beginning Stocks	0	0	0	0	0	0
Production	556	630	592	573	0	609
MY Imports	725	725	800	750	0	780
Total Supply	1,281	1,355	1,325	1,323	0	1,389
MY Exports	2	2	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,279	1,353	1,392	1,323	0	1,389
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,279	1,353	1,325	1,323	0	1,389
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,281	1,355	1,325	1,323	0	1,389

Table 20. Palm Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Palm (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Area Planted	0	0	0	0	0	0
Area Harvested	0.000	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	189	189	250	518	0	568
Production	0	0	0	0	0	0
MY Imports	4,881	4,881	4,800	4,850	0	4,900
Total Supply	4,994	5,070	5,289	5,368	0	5,468
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	2,150	2,100	2,200	2,200	0	2,250
Food Use Dom. Cons.	2,670	2,452	2,600	2,600	0	2,600
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	4,800	4,552	5,050	4,800	0	4,850
Ending Stocks	189	518	239	568	0	618
Total Distribution	4,994	5,070	5,289	5,368	0	5,468

Table 21. Coconut Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Coconut (1000 tons)**					
	2016/17		**2017/18**		**2018/19**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2016		10/2017		10/2018
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0.000	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	0	0	0	0	0
MY Imports	134	134	130	140	0	140
Total Supply	136	134	135	140	0	140
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	134	134	130	140	0	140
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	136	134	135	140	0	140
Ending Stocks	0	0	0	0	0	0
Total Distribution	136	134	135	140	0	140

Soybean Product & Palm Oil Wholesale Price Tables

Table 22. Nation Average Soybean Wholesale Prices CY2015 to CY2017

Year/Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec/Jan Change%
2015	3,795	3,763	3,752	3,638	3,546	3,462	3,442	3,502	3,506	3,503	3,503	3,422	-10%
2016	3,415	3,414	3,394	3,382	3,462	3,556	3,732	3,724	3,713	3,711	3,699	3,728	+9.2%
2017	3,739	3,738	3,730	3,670	3,629	3,643	3,646	3,629	3,625	3,626	3,604	3,608	-3.5%

Table 23. Heilongjiang/Harbin Soybean Wholesale Prices CY2015 to CY2017

Year/	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec/Jan Change%
2015	3,900	3,900	3,900	3,827	3,800	3,630	3,560	3,740	3,750	3,750	3,750	3,614	-7%
2016	3,600	3,600	3,580	3,575	3,607	3,740	3,845	3,710	3,650	3,650	3,668	3,720	+3.3%
2017	3,760	3,750	3,686	3,625	3,625	3,630	3,645	3,620	3,620	3,600	3,600	3,600	-4.3%

Table 24. Wholesale Soybean Meal Prices in CY2015 and CY2017

Year/Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec/Jan Change%
2015	3,171	3,022	3,112	2,990	2,867	2,664	2,856	2,804	2,793	2,832	2,669	2,614	-18%
2016	2,655	2,678	2,557	2,604	2,936	3,382	3,410	3,216	3,276	3,305	3,380	3,547	+3.4%
2017	3,376	3,276	3,160	3,016	2,952	2,740	2,899	2,883	2,898	3,023	3,050	3,085	-8.6%

Table 25. Wholesale Soybean Oil (Grade 1) Prices in CY2015 and CY2017

Year/Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec/Jan Change%
2015	5,764	5,756	5,795	5,842	6,015	5,941	5,769	5,672	5,631	5,795	5,760	5,940	+3%
2016	5,944	6,040	6,083	6,382	6,280	6,217	6,180	6,256	6,375	6,606	6,909	7,334	+23.4%
2017	7,275	7,079	6,554	5,904	5,906	5,867	6,084	6,233	6,372	6,134	6,045	5,764	-20.8%

Table 26. Wholesale Palm Oil Prices CY 2015 and CY2017

Year / Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Dec/Jan Change%
2015	4,986	4,986	5,087	5,028	5,130	5,120	4,931	4,575	4,323	4,493	4,363	4,467	-10%
2016	4,573	4,882	5,211	5,682	5,713	5,664	5,577	5,890	6,365	6,369	6,531	6,760	+47.8%
2017	6,607	6,391	5,987	5,743	5,778	5,751	5,748	5,740	5,821	5,802	5,658	5,261	-20.4%

Table 27. Comparison of Wholesale Prices for Grade 1-Soy Oil and Palm Oil in CY2017

Unit: RMB Yuan/MT; 2016 Exchange Rate: RMB6.64 =US$1.0												
CY2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Soybean Oil	7,275	7,079	6,554	5,904	5,906	5,867	6,084	6,233	6,372	6,134	6,045	5,764
Palm Oil	6,607	6,391	5,987	5,743	5,778	5,751	5,748	5,740	5,821	5,802	5,658	5,261
Diff % Palm vs Soy Oil	-9%	-10%	-9%	-3%	-2%	-2%	-6%	-8%	-9%	-5%	-6%	-9%
Average palm oil price is 6% lower than G1 soy oil in CY2017 compared to the 10% lower in CY2016, 17.5% lower in CY2015 and the 11% lower in CY2014.												

Source: All wholesale prices are based on China JCI Consulting Co.

Taxes & Duties Tables (Jan 01-Dec 31, 2018)

Table 28. Oilseeds

HS Code	Description	M.F.N.(%)	Gen (%)	VAT Rate %	ED Rate %
Seed					
12011000	Soybeans, seed	0	180	13	
12019010	Yellow soybean	3	180	13	
12019020	Black soybean	3	180	13	
12019030	Green soybean	3	180	13	
12019090	Other soybean	3	180	13	
12023000	In shell peanut, seed	0	0	13	
12024100	In shell peanut, other	15	70	13	
12024200	Shelled peanut	15	70	13	
12030000	Copra	15	30	13	5
12040000	Linseed	15	70	13	5
20081110	Peanut kernels, in airtight containers	30	90	17	15
20081120	Roasted peanuts	30	80	17	15
20081130	Peanut butter	30	90	17	15
20081190	Other processed peanuts	30	80	17	5,15
12051010	Low erucic acid rape seed, seed	0	80	13	
12051090	Low erucic acid rape seed, other	9	80	13	5
12059010	Other rapeseed, seed	0	80	13	
12059090	Other rapeseed, other	9	80	13	5
12060010	Sunflower seeds, seed	0	0	13	5
12060090	Sunflower seeds, other	15	70	13	5
12072100	Cottonseeds for cultivation	0	0	13	5
12072900	Cottonseeds, other	15	70	13	5
12074010	Sesame seeds for cultivation	0	0	13	5
12074090	Sesame seeds, other	10	70	13	5

Note: Note: VAT – Value Added Tax Rate; ED – Export Drawback Rate

Table 29. Oils

HS Code	Description	M.F.N.(%)	Gen (%)	VAT Rate %	ED Rate %
Oil					
15071000	Crude soybean oil	9	190	13	
15079000	Other soybean oil	9	190	13	
15081000	Crude peanut oil	10	100	13	
15089000	Other peanut oil	10	100	13	
15091000	Olive Oil, virgin	10	30	13	
15099000	Olive oil, other	10	30	17	
15111000	Palm oil, crude	9	60	13	
15119010	Palm oil, liquid	9	60	13	
15119020	Stearin	8	60	13	
15119090	Palm oil, other	9	60	17	
15121100	Crude sunflower seed oil	9	160	13	
15121900	Other sunflower seed oil	9	160	17	
15122100	Crude cottonseed oil	10	70	13	
15122900	Other cottonseed oil	10	70	17	
15131100	Crude coconut oil	9	40	13	
15131900	Other coconut oil	9	40	13	
15132100	Crude palm kernel oil	9	40	13	
15132900	Other palm kernel oil	9	40	17	
15141100	Crude low erucic acid rape or colza oil	9	170	13	
15141900	Other crude low erucic acid rape oil	9	170	13	
15149110	Crude rape or colza oil	9	170	13	
15149190	Crude mustard oil	9	170	13	
15149900	Other rape oil	9	170	17	

Note: Note: VAT – Value Added Tax Rate; ED – Export Drawback Rate

Table 30. Meals

HS Code	Description	M.F.N.(%)	Gen (%)	VAT Rate %	ED Rate %
Meal					
12081000	Soyflour	9	70	17	
12089000	Other	15	80	17	15
23012010	Fish meal	2	11	13	
23025000	Legume sweepings	5	30	13	
23033000	Brewing or distilling dregs and waste	5	30	13	
23040010	Soy meal, oil cake	5	30	13	13
23040090	Soy meal, other	5	30	13	13
23050000	Peanut meal	5	30	13	
23061000	Cottonseed meal	5	30	13	13
23062000	Linseed meal	5	30	13	13
23063000	Sunflower seed meal	5	30	13	13
23064100	Low erucic acid rapeseed meal	5	30	13	13
23064900	Other rapeseed meal	5	30	13	13

Note: Note: VAT – Value Added Tax Rate; ED – Export Drawback Rate

(End of Report)