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Prepared By: Chase McGrath

Approved By: Adam Branson

Report Highlights:

Post forecasts China's marketing year (MY)21/22 corn imports at 15 million metric tons (MMT) as market signals are encouraging additional domestic production over MY20/21 levels. Post estimates MY20/21 corn imports at a record 28 MMT. The increase from past estimates is due to continued feed demand and a supply deficit that supports restocking of reserves. China's MY21/22 total feed and residual use are forecast to increase by 17 MMT, a 6.7 percent increase over MY20/21. Corn prices remain high and commercially held corn stocks are at levels not seen in 15 years. Record volumes of old rice and wheat stocks are entering feed mills and deep processing plants as substitutes for high-priced corn. Industry members forecast the corn supply-demand situation will not change until late calendar year 2021 or 2022 at the earliest.

Note: This annual report compares Post information with USDA’s March 2021 estimates and forecasts for MY19/20, MY20/21, and MY21/22. FAS-China projections do not represent official USDA forecasts.¹

Feed and Food Grain Production

China National Bureau of Statistics MY20/21 Grain Production Estimates Published

On December 10, 2020, the National Bureau of Statistics (NBS) published China’s official MY20/21 estimates for grain production suggesting overall modest differences from MY19/20. Post’s MY20/21 Production, Supply, and Distribution tables were updated to reflect these official NBS statistics.

Table 1. China: MY20/21 Grain Acreage, Production, and Yield

	Acreage (Million Hectares)	Change from MY19/20	Total production (million tons)	Change from MY19/20	Yield (ton/hectare)	Change from MY19/20
All Grains	116.768	0.6%	669.49	0.9%	5.734	0.2%
- Rice	30.076	1.3%	211.86	1.1%	7.044	-0.2%
- Wheat	23.380	-1.5%	134.25	0.5%	5.742	2.0%
- Corn	41.264	-0.05%	260.67	-0.04%	6.317	0.02%

Note: Rice, wheat and corn are included in “all grains” along with other cereal and coarse grains not mentioned. Source: NBS

Major Feed Grains

China’s total MY21/22 feed and residual use is forecast to increase by 17 MMT, a 6.7 percent increase over MY20/21. For MY21/22, Post forecasts that China will continue its effort to rebuild its swine herd in 2021 and that overall pork production will remain below the pre-African Swine Fever (ASF) levels of 2017. Larger, newer swine facilities are increasing production while contending with low sow productivity and high input prices. These factors, along with other diseases in breeding sows and piglets, will constrain significant growth in China’s hog inventory in 2021 and possibly into 2022. On the poultry side, production is forecast to grow, but at a slower pace of 3 percent as high feed prices, low poultry meat prices, and competition with other animal proteins affect the sector.

Although the MARA Minister said in February 2021 that the country’s hog inventory had recovered to 92 percent of its pre-ASF level by the end of 2020 and that the swine herd is expected to return to that level by June 2021, significant industry doubt persists. Optimistic forecasts are that feed ingredient prices will continue to increase due to strong market demand.

¹ The global Trade Year (TY) for the follow grains is as follows: Corn, Sorghum, and Barley (October – September), for example, TY MY21/22 represents imports or exports from October 2021 to September 2022; Wheat TY MY21/22 is July 2021 through June 2022; Rice TY MY21/22 is January 2022 through December 2022). Marketing Year (MY) is determined by (1) Country and (2) Commodity.

Other contacts expect that ASF and other swine disease outbreaks will moderate and delay recovery. As an example, a recent industry report showed that the reoccurrence of ASF during November pushed up the death rate of piglets for three months in a row and that China's sow inventory dropped by 20 percent in North China, 10 percent in central China, and 30 percent in South China.

China's industrial feed production increased 10.4 percent year-over-year, to 252.8 MMT in 2020. Pig and poultry feed production accounted for 35.3 percent and 49.6 percent of total feed production, respectively, compared with 33.5 percent and 50.6 percent a year earlier. With pig feed production becoming more commercialized, pig feed production increased 16.4 percent to 89.2 MMT, reaching 86 percent of the record high in 2018. At the same time layer feed production rose by 7.5 percent, broiler feed by 8.4 percent, and ruminant feed by 18.9 percent.

Table 2. China: Annual Feed Production by Industry in 2020 (in million tons)

	Swine	Layers	Broiler	Aquaculture	Ruminants	Total
Production	89.23	33.52	91.76	21.24	13.19	252.76
Year-on-Year Increase (percent)	16.4	7.5	8.4	-3.6	18.9	10.4
Source: China Feed Industry Association						

Corn

Production

Production in MY21/22 is forecast up 2.8 percent to 268 MMT, due to higher planted area driven by government policy and high corn prices. MARA's 2021 guidelines and public statements from high-level officials set a target to increase corn acreage by more than 667,000 hectares in key growing areas. Additional corn acreage will need to come from developing fallow and marginal land or loss to soy plantings. MARA's latest guidelines urge planting grain on all unplanted land as a priority. Any real production gains, however, will be limited by competing policies that encourage soy production and indications that increased planting will occur on poor quality land and in areas not ideal for corn production.

Reports indicate the impact of Fall Army Worm (FAW) in 2020 was minimal and not as detrimental as previously anticipated. This is attributed to favorable weather conditions and targeted government and producer efforts to prevent FAW spread and infestations. While FAW affected more than 80 percent of the crop area in Southwest and South China, and 15 percent in the Yangtze River Delta, only 1 percent of the crop was affected in China's key corn production areas in the north. In addition, FAW was detected in only one additional county in China in 2020, indicating a slower spread than anticipated.

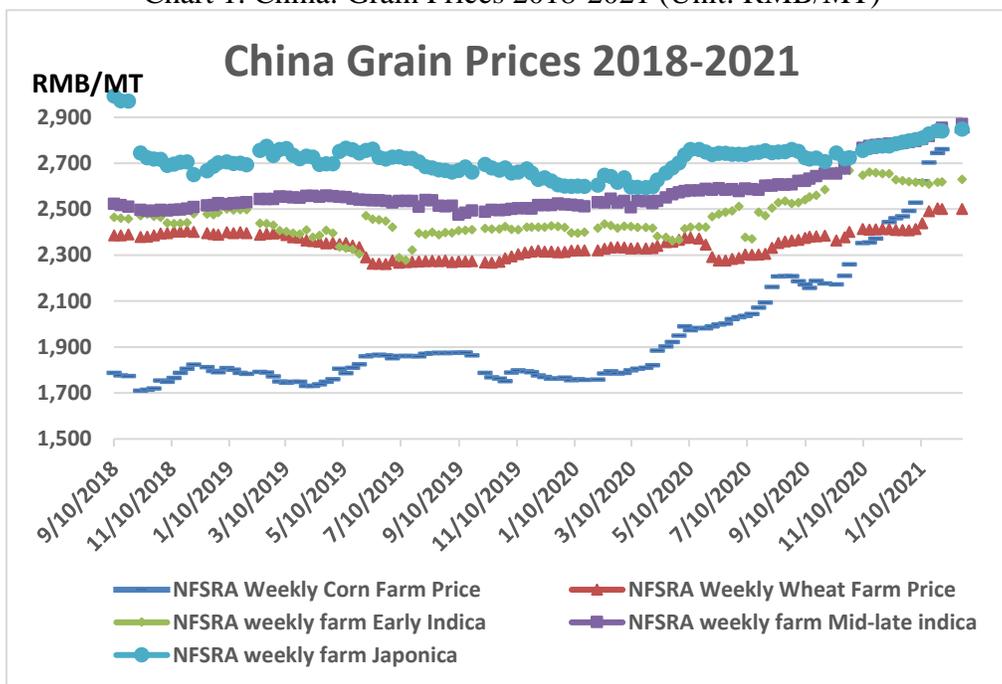
Consumption

Total corn consumption in MY21/22 is forecast at 297 MMT owing to increased feed and residual use and steady growth in the food, seed, and industrial (FSI) sector. MY21/22 feed and residual consumption are forecast at 210 MMT as efforts at swine recovery continue. Overall growth and integration of the livestock and poultry sector is expected to favor manufactured feed in rations for 2021 and beyond. MY20/21 poultry feed consumption is at historically high levels

and expected to grow, but at a slower pace of 3 percent. With high domestic corn prices, the percentage of corn formulated in feed rations dropped from 40 to 30 percent in swine feed and from 65 to 55 percent in poultry feed over recent months. While feed consumption will continue to grow, the percentage of corn used in feed will depend on relative domestic prices.

China’s corn prices have increased at least 50 percent year-over-year. NBS official data shows 2020 annual feed production was 290 MMT, up 11 percent from 2019 but up only 3 percent from pre-ASF levels. Industry sources believe a significant portion of demand is “middle demand.” This includes traders and feed mills stockpiling for fear of supply chain interruptions due to Covid-19 or price hikes on imported corn prices. While many in the industry attribute continued high corn prices to traders holding onto stocks and speculating on even higher prices to come, others maintain doubts this is true as prices are unlikely to rise further.

Chart 1. China: Grain Prices 2018-2021 (Unit: RMB/MT)



Post expects only slight growth in FSI consumption in MY21/22. Corn FSI consumption for MY20/21 is estimated 3 MMT higher than USDA’s March estimate. The Northeast corn crop in MY20/21 had much higher mold and aflatoxin rates than normal due to extreme weather before harvest. The North China Plain (NCP), particularly the provinces of Henan and Anhui, saw higher aflatoxin rates, as well. While most of this corn is destined for deep processing, the conversion rate to produce the same amount of product will be lower than previous years.

Trade

Post forecasts MY21/22 corn imports at 15 MMT and increases MY20/21 imports to 28 MMT. This stems from changes expected in the new marketing year of carrying high commercial inventories, continued pig production recovery, and curbed deep processing demand in MY20/21. In addition, imports and carry-over inventory are at high levels in MY20/21. The jump is attributed to a supply deficit that will be met by imports to meet both restocking of

reserves and continued feed demand in addition to attempts to bring down high domestic prices. In its March China Agricultural Supply and Demand Estimates MARA indicated the country has a corn supply gap of 18.5 MMT for MY20/21. Reports also indicate China has depleted its temporary corn reserve. Speculators, mills/plants, and local government reserves are building up corn stocks over fears of future supply chain disruptions, and concerns over weather-related issues that could lower production. Sources indicate that substantial corn imports will be necessary to control further price increases and maintain buffer stocks throughout calendar year 2021.

The General Administration of Customs of China (GACC) official data indicate China imported 11.3 MMT of corn in 2020, exceeding the WTO TRQ for the first time in history. China has made strong purchases of U.S. corn in the beginning months of 2021, which has driven up export sales, though accumulated exports trail significantly behind this commitment. Future Chinese corn imports will be defined by imported corn prices, prices of alternative grains, and China's pace of progress in restocking the swine herd after earlier and recent ASF outbreaks.

Stocks

Stocks in MY21/22 are forecast at 193.2 MMT. The global supply chain effects from the COVID-19 pandemic strengthened the Chinese government's view that a strategic grain reserve is vital to food and feed security. This has led to a policy shift away from expedited destocking towards rebuilding stocks along with expanding and improving storage facilities and their management at the sub-national level along with rotating stocks to better manage grain quality.

Although China's temporary reserve corn is seemingly exhausted, the auctioned corn has not been fully used. Rather, it was transferred from state reserves to commercially held stocks. Reports indicate current commercial stocks are close to a 15-year high. Northeast commercial corn stocks have tripled last year's level according to industry contacts. Feed mills in Guangdong have reported holding a 6-month inventory on hand while most deep processing plants report holding 4-months of stocks. In contrast, most deep processing plants kept stocks of 15-20 days in 2019 and feed mills kept only 2-3 months. Industry sources expect the turning point will not come until 2022 when the corn supply-demand situation reverses, and the threat of pandemic driven shortages subsides.

All indications point to most current imports filling depleted stocks. Even with strong imports, domestic prices have remained high and suggest that new corn arrivals are not yet reaching end-users.

Sorghum and Barley

Production

China's MY21/22 sorghum and barley production are both forecast to remain stable. Post forecasts sorghum production at 3.6 MMT and barley at 900,000 MT. According to an industry survey, sorghum planting intentions in northeast China and the North China Plain are stable due to good returns in 2020.

Consumption

MY21/22 sorghum consumption is forecast at 10.7 MMT, lower than the previous marketing year, as corn is expected to regain a higher share in feed rations. Feed consumption is forecast at 7.4 MMT while FSI consumption is estimated to grow by 3.3 MMT with growth in the baijiu sector. NBS reports that 2020 baijiu production totaled 7.4 billion liters, down 2.5 percent from 2019, mainly due to the economic effects of the COVID-19 pandemic. Although overall baijiu production fell, mid-to-high-end baijiu brands reported strong sales, particularly among exclusive top-tier brands. This is important as higher-end baijiu brands claim to use greater percentages of sorghum or claim to be made exclusively from sorghum during manufacturing.

Barley consumption in MY21/22 is forecast steady from Post's MY20/21 estimate at 8.5 MMT. Roughly half of China's barley consumption is expected to be for feed, while the remainder is projected to be disbursed amongst FSI sectors, with the domestic beer industry the predominant consumer. Beer consumption, however, is expected to flatten in 2021.

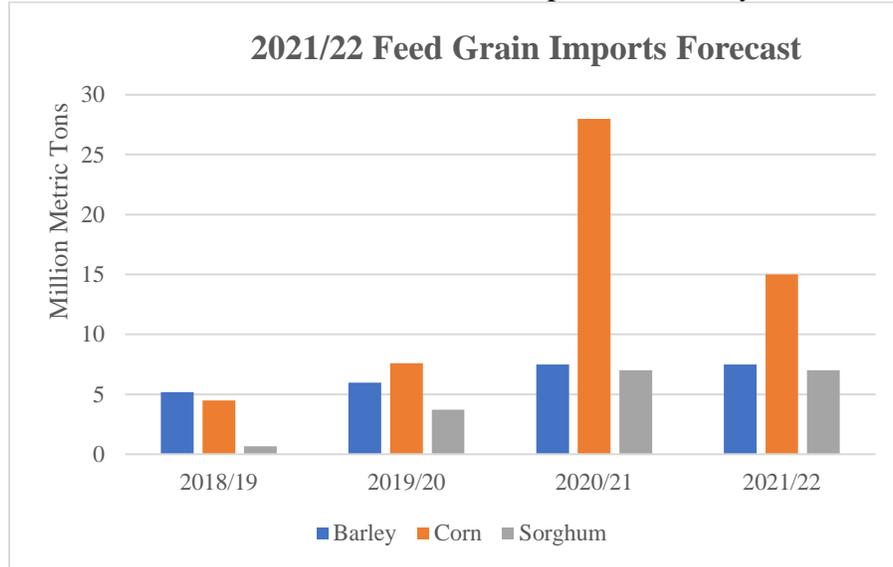
Many coastal area feed mills have adjusted their feed rations due to record corn prices and replaced some corn with sorghum, barley, wheat, and rice. Mid-to-large scale feed mills generally use sorghum to replace 7-10 percent of the corn in their commercial feed products though the substitution rate can rise to as much as 20 to 30 percent in feed for use in their own livestock production facilities. In general, industry contacts share that barley is replacing 20 percent of corn in hog feed and 10 percent of corn in aquatic feed.

Trade

Both sorghum and barley imports are forecast to fall in MY21/22 from USDA's March MY20/21 estimate as corn consumption is projected to regain its place in feed. MY21/22 sorghum imports are forecast 600,000 tons lower than USDA's March estimates for MY20/21 at 7 MMT. Barley imports for MY21/22 are forecast lower to 7.5 MMT, down 800,000 tons from USDA's March estimate for MY20/21.

New-crop unshelled and sifted sorghum was priced at roughly 4,160 RMB (\$640 USD) per ton in mid-March 2021. Higher prices are expected to persist with lower supplies relative to last year. Imported sorghum prices, after all duties are paid is priced at 2,823 RMB (\$434 USD) per ton in Tianjin and 2,763 RMB (\$425 USD) per ton in Guangzhou for March delivery. Current prices are 2,756 RMB (\$424 USD) per ton in Guangzhou and 2,780 RMB (\$428 USD) in Tianjin. Australian sorghum is 50 RMB (\$7.7 USD) cheaper per ton than U.S. sorghum, but industry sources expect political risks in importing Australian sorghum going forward. The average price of barley in China in February was 2,215 RMB (\$341 USD) per ton.

Chart 2. China: MY21/22 Feed Grain Import Forecast by Commodity



Major Food Grains

Wheat

Production

MY21/22 wheat production is forecast at 135 MMT, slightly higher than MY20/21 due to increased area. According to an agriculture survey reported in official Chinese government media, the wheat planting area will increase by nearly 200,000 hectares in MY21/22.

In March 2021, Henan, China's top wheat producing province, reported its best wheat growing conditions in five years. Its acreage is expected to stabilize at 5.7 million hectares, slightly higher than last year. Crop conditions surveys suggest good quality wheat accounts for 18 percent of the total acreage in Henan.

On October 30, 2019, China's National Development and Reform Commission (NDRC) announced it will continue the Minimum Support Price (MSP) program in the major wheat producing regions in 2021. This includes the provinces of Hebei, Shandong, Henan, Shaanxi, Anhui, and Jiangsu. The guarantee program requires the government to buy wheat from farmers at a minimum price when the market price drops below that level. For 2021 the State Council approved a 2,260 RMB (\$348) per ton wheat (3rd class) MSP, 20 RMB (\$3.1) per ton higher than 2020. Since the policy launched in 2006, China has revised the wheat MSP upwards seven times from 2008-2014 and revised the wheat MSP down twice, each time downward by 60 RMB (\$9.2) per ton for 2018 and 2019 wheat MSP, respectively. Industry believes this slight increase aims to increase farmers' income, stabilize wheat production and prices.

Consumption

MY21/22 total wheat consumption is forecast higher at 153 MMT, up 8 MMT from USDA's March estimate for MY2020/21, on higher feed and industry use. Post forecasts feed use will

increase by 5 MMT to 40 MMT in MY21/22 as the feed sector continues absorbing wheat off the market and that FSI use will grow by 3 MMT as deep processing plants turn towards wheat as a cheaper alternative to other crops.

MY20/21 feed use is forecast at 40 MMT as feed mills scramble for wheat to replace corn, which is expected to continue into the next marketing year. Price is the driving factor in determining the ratio of wheat use in feed. Industry sources report that most Northeast corn is being held by traders speculating on price, driving ever increased substitutes of wheat and rice. The price difference between corn and wheat has continued to increase from 380 RMB (\$58.5) per ton in February to 470 RMB (\$72.3) per ton in March. March corn prices are 1,000-1,200 RMB (\$154-185 USD) per ton higher than the same time last year with mills in central and NCP making massive purchases of wheat and rice to replace corn. Some mills reportedly have even adopted a “no-corn” formula in their feed formulations.

MY21/22 FSI consumption is forecast 3 MMT higher than USDA’s March estimate for MY20/21 as many deep processing plants (particularly ethanol) have reportedly switched to using old wheat and rice that is not suitable for human consumption as a replacement for expensive corn. Industry sources report that imported wheat is not being used for industrial use.

Trade

MY21/22 wheat imports are forecast at 5 MMT, 5.5 MMT lower than USDA’s March estimates for MY20/21 as overall wheat reserves remain sufficient. Based on Post’s forecast rebound in corn production, less wheat will be necessary to augment feed rations going forward as corn prices are anticipated to ease. While some imported wheat is reportedly being used for feed, imports are still predominately for human consumption. At the same time, the ratio of wheat used to replace corn in feed is expected to drop during MY21/22 as corn prices ease. While importers express strong desire to be able to import more wheat, imports are driven more by policy than the market. State-Owned Enterprises (SOEs) will make purchase decisions based on policy direction. Currently, the government is using the opportunity created by high corn prices to destock old wheat rather than turn to imports. The industry expects the SOE allocation of the wheat TRQ will once again be underutilized in calendar year 2021.

In early April, the average price of wheat in North China ranged from 2,543 RMB (\$391 USD) compared with the national average of RMB 2,556 (\$393 USD). In the South China market, feed wheat is priced at 2,700 RMB (\$415 USD) per ton.

Stocks

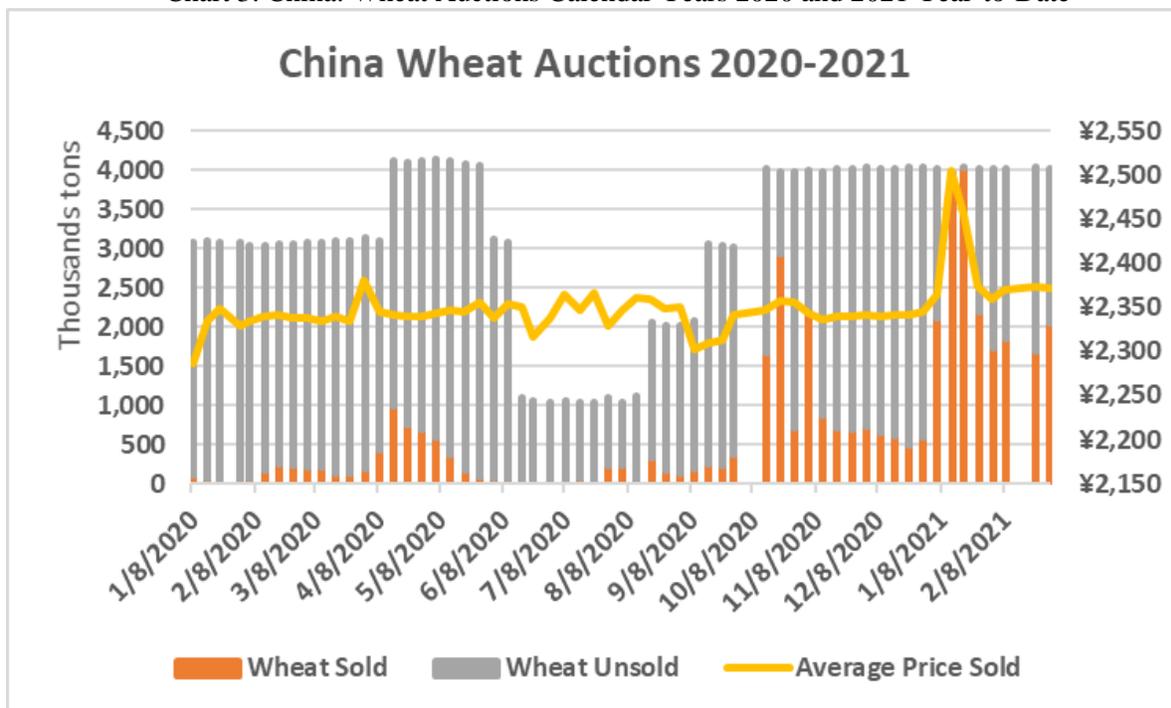
MY21/22 wheat ending stocks are forecast to decline by 20 MMT to 130.4 MMT from USDA’s March estimates for MY20/21. Post analysis indicates that China’s national stocks are down significantly, but that sub-national and commercial stockholding remains strong. The drop in total stocks and nationally held wheat stocks is forecast to be part of the plan to draw down old wheat stocks through wheat feed auctions as older crop is rotated onto the market for a variety of uses.

While stocks of minimum support price (MSP) wheat have nearly halved, Post does not expect a significant drop in overall stocks in MY20/21 or MY21/22. MSP reserves, known locally as

“policy wheat”, are owned by the central government and managed by SOEs. Other stocks include the central reserve, provincial and local stocks, as well as commercial stocks. These are all expected to be maintained at stable levels. Destocking and rotations of old stocks will benefit this year rather than imports. Government officials have publicly made statements of the sufficient levels of both wheat and rice to cover more than a full year of demand if needed.

Robust feed wheat demand has pushed up wheat prices in temporary reserve auctions meant only for feed. In early January, more than 4 MMT of wheat, or close to 100 percent of the total offered, was sold at each auction with an average price of 2,455 RMB (\$378 USD) per ton. The highest price came on January 19 when prices hit 2,765 RMB (\$425 USD) per ton at auctions held in Jiangsu. As the government raised the buy-in threshold to participate in wheat auctions in mid-January, both percentages and prices sold cooled down. On January 26 and 27, 2.2 MMT out of the 4 MMT of wheat offered at the National Grain Trade Center’s auctions were sold. The percentage of wheat sold dropped from 99.9 percent to 54.3 percent. Average prices also dropped by 82 RMB (\$12.6 USD) per ton to 2,373 RMB (\$365 USD) per ton. Since 2021, a total of 17.33 MMT of government stockpiled wheat was sold in six main wheat producing provinces in China. According to the incomplete statistics available, there is still approximately 57.8 MMT of government stockpiled wheat in China, with 2016, 2017, and 2019 crops accounting for 22 percent, 23 percent, and 30 percent, respectively. Food security is still the top priority of China's agricultural policies. If wheat stocks reduce too fast, it is expected that more tightening policies will be introduced.

Chart 3. China: Wheat Auctions Calendar Years 2020 and 2021 Year-to-Date



RICE

Production

MY21/22 rough rice production is forecast at 212.9 MMT, up 1 MMT from USDA's March estimates for MY20/21, based on higher area. Rice planting area in 2021 is expected to increase slightly as the central government has repeatedly emphasized stabilizing grain planting area and its endeavor to increase grain production. The government also raised the rice MSP by 20 RMB (\$3.1 USD) per ton for Indica rice, to incentivize farmers to keep double-cropping rice. Rice yield is expected to remain stable through MY21/22.

Consumption

MY21/22 rice consumption is forecast at 158 MMT, up 9 MMT from MY20/21 based on higher use for feed. Food consumption remains flat with less than a 0.5 percent rise in consumption year-over-year for the past two decades.

Rice auctions for feed of approximately 1 MMT per week began in August 2020 and proceeded through the end of 2020 with a total of 20 MMT auctioned. The rice purchased in these auctions must be broken by designated SOEs and mixed with a ratio of 85 percent rice and 15 percent wheat to prevent it from entering the food supply chain. Industry sources estimate mills can only replace 10 percent of the corn with such mix in their formula, meaning less than 10 MMT of old rice will be purchased by feed mills to replace corn. Industry sources reported over 9 MMT of old stock rice were sold to specific feed users since September 2020. About 6 MMT of corn are estimated to be replaced by this 9-million tons of rice. The auction prices received in the 600,000-ton per week weekly MSP early rice auctions enabled the substitution of early rice over corn. South China feed mills have bought large quantities of rice produced in Hunan and Jiangxi, which is causing congestion at some river ports. Prices for early Indica rice have resulted in a replacement for corn in the south. Auctions in January resulted in sales of approximately 2.5 MMT, mainly in Anhui, Jiangxi, and Henan provinces being marketed.

Trade

MY21/22 rice imports are forecast at 2.8 MMT. As China's domestic rice prices increased dramatically at the end of 2020, imported rice was being sought for multiple uses, including food, feed, and food/beverage processing use. In line with historical trends, China is not expected to fill its short-to-medium grade rice TRQ in 2021 or 2022. China increased its import of low quality and broken rice from India and Pakistan. Industry sources and news accounts suggest the imported rice was destined for feed use and that the purchases were driven by price. Post anticipates future rice purchases will be based on rice prices found on the international market.

While the United States gained market access for rice in 2017, the first-ever shipment of 20 MT of U.S. rice arrived in late calendar year 2020.

Post forecasts rice exports will remain unchanged at 2.4 MMT in MY21/22 from levels estimated in MY21/22. China's rice exports at 2.6 MMT in MY20/21 are the first year-over-year decline since their meteoric rise began in 2017. Though China's rice exports witnessed a slow start in the beginning of MY20/21, exports materialized in the middle of MY20/21 and Post

estimates the trend of strong exports to continue. China's rice exports continue to consist mostly of low quality, low-price rice destined primarily for African countries with some growth expected this year to the Philippines. Industry sources estimate food aid only represents approximately one percent of China's exports to Africa with the vast majority made up of commercial sales.

The focus on destocking, rather than exports, will continue this year. Government reserves for food use remain at a reasonable level of comfort according to industry sources and rice auctions are expected to continue. Though international rice prices rose due to the pandemic, global prices reportedly stabilized, and exports are forecast to remain stable through MY21/22.

Table 3. China: TRQ Allocations

Year 2020	Used TRQ Long-grain	Unused TRQ Long-grain		Used TRQ others	Unused TRQ others
10063020, Long grain milled rice	1,678,167	-	10063080, Other milled rice	207,429	-
1006.4020 Long grain broken rice	772,012	-	1006. 4080 Other broken rice	223,099	-
1006.1081 Long grain paddy	18,493	-	1006.1089 Other paddy	8,818	-
1006.2020 Long grain brown rice	172	-	1006. 2080 Other brown rice	3,301	-
TOTAL	2,468,844	191,156		442,647	2,217,353
Source: China Customs data; unit in tons					

Stocks

MY21/22 ending stocks are forecast at 101.6 MMT, down 14.8 MMT from MY20/21 as more industrial and feed consumption offset China's anticipated production increase.

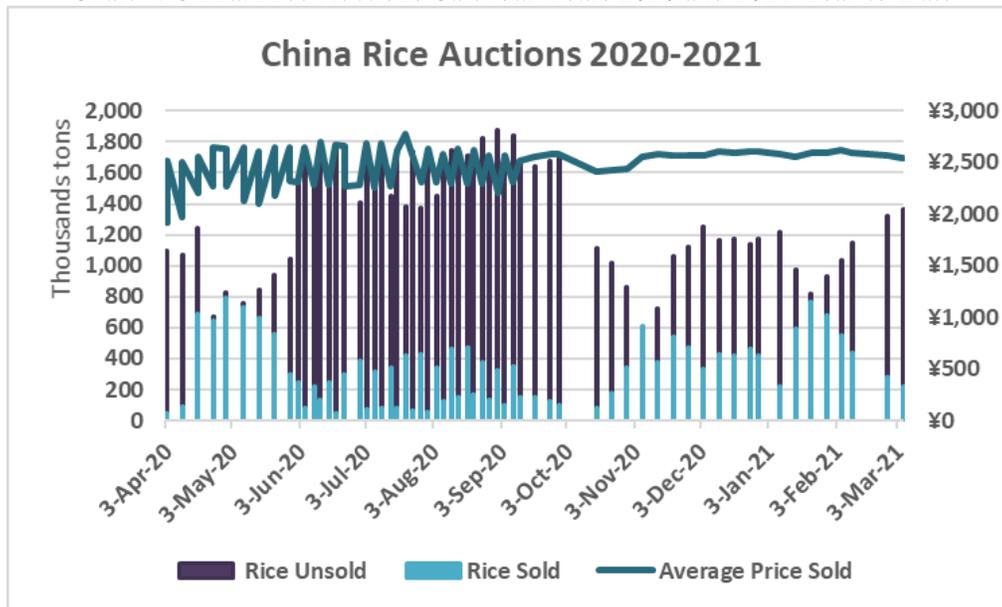
On February 25, the NDRC announced the 2021 MSP price for rice graded above 3 will be 2,440 RMB (\$375 USD) per ton for early Indica rice, up by 20 RMB (\$3.1 USD) per ton from 2020; 2560 RMB (\$394 USD) per ton for mid-to-late Indica rice, up 20 RMB (\$3.1 USD) per ton from 2020; and 2600 RMB (\$400 USD) per ton for Japonica rice, the same as 2020. Like the 2021 wheat MSP, which was announced last October, NDRC set a ceiling for the total MSP procurement amount for rice. The 2021 ceiling is unchanged from the 50 MMT established for 2020, including 20 MMT of Indica and 30 MMT of Japonica rice. The first 45 MMT can be purchased from any of the eligible provinces, but the final 5 MMT, including 2 MMT Indica and 3 MMT Japonica, will be allocated among provinces based on unspecified needs criteria. The ceiling is much higher than the actual MSP volume in past years.

Table 4. China: Rice MSP Price Changes

China's Rice MSP Changes 2015-2021 (in RBM per ton)			
Year	Early Indica	Mid-to-Late Indica	Japonica
2015	2,700	2,760	3,100
2016	2,660	2,760	3,100
	-40		
2017	2,600	2,720	3,000
	-60	-40	-100
2018	2,400	2,520	2,600
	-200	-200	-400
2019	2,400	2,520	2,600
2020	2,420	2,540	2,600
	+20	+20	
2021	2,440	2,560	2,600
	+20	+20	

According to industry reports, China auctioned 17.2 MMT of MSP rice in 2020, up by more than 37.5 percent. Of this, 2.4 MMT was early Indica, 7.5 MMT of mid-to-late Indica, and 7.3 MMT Japonica were sold in 2020, up by 1 MMT, 2.6 MMT and 1.1 MMT respectively than the previous year. MSP rice auctions in 2021 have continued with 1.6 MMT rice offered per week. The sales rate of rice on offer at these auctions has remained high. Industry believes China still holds close to 100 MMT of rice stocks. Destocking is expected to continue to be the main trend over the next 2-3 years. Since 85 percent of the existing rice stocks are Japonica, the government did not raise the MSP for Japonica, and future destocking will focus on Japonica.

Chart 4. China: Rice Auctions Calendar Years 2020 and 2021 Year-to-Date



POLICY

China's No. 1 Document Reiterates Self-Reliance in Staple Grains

On February 21, 2021, the Chinese government released the annual policy guidelines on agriculture and rural development known as the No. 1 Document. According to the document, there is increased emphasis to shore up grain production of staple food and vegetable crops, maintain targets for arable land utilization, and additional efforts on maintaining and improving the administration of the Minimum Support Price (MSP) program policy for rice and wheat, along with improving the subsidy policy and income stability for corn and soybean producers. China will also develop water-saving agriculture and dryland farming, diversify import sources, and support companies to integrate into the global agricultural supply chain.

MARA Unveils 2021 Rural Work Guidelines

On February 25, 2021, Ministry of Agriculture and Rural Affairs (MARA) unveiled guidelines on the country's rural development work for 2021, stressing efforts to push rural vitalization and accelerate the modernization of agriculture and rural areas. These announcements align with the No. 1 Document and China's stated plans for its 14th Five-Year (2021-2025) plan. The ministry will step up policy support to maintain grain output above 650 million metric tons (MMT) this year amid efforts to ensure food security, upgrade agricultural machinery, and apply new technologies to modernize the agricultural sector. The guidelines set the target to increase corn acreage by more than 667,000 hectares in key growing areas in 2021.

China Highlights Grain Security

On November 14, 2020, China's General Office of the State Council issued a [directive](#) to make grain production the top priority for all arable land to ensure food security. The government will limit land use for non-food use and develop incentives for grain-producing regions. The notice also directs local governments to take stock of current planting areas and enforce penalties for any farmland used for any purpose other than grain production.

On December 3, 2020, the National Development and Reform Commission (NDRC) issued a [draft law](#) for comment on management and supervision of grain reserves, extending central control to provincial and regional reserves. The law establishes a centralized grain reserve and usage coordination mechanism to coordinate central, provincial, and local reserves. In addition, the draft directs that decisions on government reserves should separate policy from business decisions.

On January 27, 2021, China's National Food and Strategic Reserve Administration (NFSRA) issued the [Notice on Management Measures of Government Reserve Grain Storage](#), aiming to set clear rules, standards and technology requirements to safeguard government reserve storage. The epidemic strengthened the Chinese government's view that the strategic grain reserves are vital to food security, leading to a policy shift away from expedited destocking towards mild destocking, enhanced provincial reserves, and necessary stock rotations.

Agricultural Biotechnology Developments

China recently approved two additional corn varieties for import developed through agricultural biotechnology following the December 2020 meeting of its National Biosafety Committee. The two strains were approved for import for five-years beginning in December 2020.

In January 2021, China approved the naming of two crop events, one for corn and one for soy, developed through agricultural biotechnology by a Chinese domestic company for the North China region. The two events still need to go through China's varietal registration process before being commercialized. While initial indications are that this has the potential to increase yields by 30 percent or more in the North China region, the events likely will not be planted for several years. China has never permitted planting of soybean or corn varieties produced through agricultural biotechnology but permits their import and for use in animal feed with certain restrictions. The government has expressed support for biotech breeding to boost food security and industry has been interested in the domestic use of biotech varieties for years. Recent government pronouncements have led industry to expect progress towards commercialization.

APPENDIX

Countries with Bilateral Phytosanitary Protocols

On December 30, 2020, GACC published the list, below, of countries/regions from which imports of grain and plant-sourced feed varieties are allowed into China.

[Table 5. China: Countries with Bilateral Phytosanitary Protocols](#)

Wheat	Australia, Canada, France, Hungary, Kazakhstan, Mongolia, Russia, United Kingdom, United States, Serbia, Lithuania
Corn	Thailand, United States, Peru, Laos, Argentina, Russia, Ukraine, Bulgaria, Brazil, Cambodia, South Africa, Hungary, Kazakhstan, Uruguay, Mexico, <i>Serbia*</i>
Barley	Argentina, Australia, Canada, Denmark, France, Finland, Mongolia, Kazakhstan, Russia, United Kingdom, Ukraine, Uruguay, United States
Sorghum	Argentina, United States, Australia, Myanmar, Nigeria, Mexico
Paddy Rice	Russia
Milled Rice	Cambodia, India (both Basmati and Non-Basmati) Japan, Laos, Myanmar, Pakistan, Thailand, Uruguay, Vietnam, Taiwan, United States

Note: Countries with Bilateral Phytosanitary Protocols are permitted to export grains

*Indicates new access in 2020

Source: China Customs

Corn Market Year Begins China	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	41280	41280	41264	41264	0	42000
Beginning Stocks (1000 MT)	210163	210163	200526	200526	0	207176
Production (1000 MT)	260779	260779	260670	260670	0	268000
MY Imports (1000 MT)	7596	7596	24000	28000	0	15000
TY Imports (1000 MT)	7596	7596	24000	28000	0	15000
TY Imp. from U.S. (1000 MT)	3020	3020	0	0	0	0
Total Supply (1000 MT)	478538	478538	485196	489196	0	490176
MY Exports (1000 MT)	12	12	20	20	0	20
TY Exports (1000 MT)	12	12	20	20	0	20
Feed and Residual (1000 MT)	193000	193000	206000	196000	0	210000
FSI Consumption (1000 MT)	85000	85000	83000	86000	0	87000
Total Consumption (1000 MT)	278000	278000	289000	282000	0	297000
Ending Stocks (1000 MT)	200526	200526	196176	207176	0	193156
Total Distribution (1000 MT)	478538	478538	485196	489196	0	490176
Yield (MT/HA)	6.3173	6.3173	6.3171	6.3171	0	6.381

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Barley Market Year Begins China	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	260	260	260	260	0	250
Beginning Stocks (1000 MT)	45	45	214	214	0	114
Production (1000 MT)	900	900	900	900	0	900
MY Imports (1000 MT)	5969	5969	8300	7500	0	7500
TY Imports (1000 MT)	5969	5969	8300	7500	0	7500
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6914	6914	9414	8614	0	8514
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Feed and Residual (1000 MT)	2800	2800	5000	4500	0	4500
FSI Consumption (1000 MT)	3900	3900	4000	4000	0	4000
Total Consumption (1000 MT)	6700	6700	9000	8500	0	8500
Ending Stocks (1000 MT)	214	214	414	114	0	14
Total Distribution (1000 MT)	6914	6914	9414	8614	0	8514
Yield (MT/HA)	3.4615	3.4615	3.4615	3.4615	0	3.6

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Barley begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Sorghum Market Year Begins China	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	750	750	730	730	0	730
Beginning Stocks (1000 MT)	17	17	97	97	0	197
Production (1000 MT)	3600	3600	3550	3550	0	3600
MY Imports (1000 MT)	3709	3709	7600	7000	0	7000
TY Imports (1000 MT)	3709	3709	7600	7000	0	7000
TY Imp. from U.S. (1000 MT)	4127	4127	0	0	0	0
Total Supply (1000 MT)	7326	7326	11247	10647	0	10797
MY Exports (1000 MT)	29	29	50	50	0	50
TY Exports (1000 MT)	29	29	50	50	0	50
Feed and Residual (1000 MT)	4500	4500	8200	7400	0	7400
FSI Consumption (1000 MT)	2700	2700	2700	3000	0	3300
Total Consumption (1000 MT)	7200	7200	10900	10400	0	10700
Ending Stocks (1000 MT)	97	97	297	197	0	47
Total Distribution (1000 MT)	7326	7326	11247	10647	0	10797
Yield (MT/HA)	4.8	4.8	4.863	4.863	0	4.9315

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Sorghum begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

Wheat Market Year Begins China	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	23730	23730	23380	23380	0	23500
Beginning Stocks (1000 MT)	139765	139765	151682	151682	0	144432
Production (1000 MT)	133590	133590	134250	134250	0	135000
MY Imports (1000 MT)	5376	5376	10500	9500	0	5000
TY Imports (1000 MT)	5376	5376	10500	9500	0	5000
TY Imp. from U.S. (1000 MT)	762	762	0	0	0	0
Total Supply (1000 MT)	278731	278731	296432	295432	0	284432
MY Exports (1000 MT)	1049	1049	1000	1000	0	1000
TY Exports (1000 MT)	1049	1049	1000	1000	0	1000
Feed and Residual (1000 MT)	19000	19000	35000	40000	0	40000
FSI Consumption (1000 MT)	107000	107000	110000	110000	0	113000
Total Consumption (1000 MT)	126000	126000	145000	150000	0	153000
Ending Stocks (1000 MT)	151682	151682	150432	144432	0	130432
Total Distribution (1000 MT)	278731	278731	296432	295432	0	284432
Yield (MT/HA)	5.6296	5.6296	5.7421	5.7421	0	5.7447

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022

Rice, Milled Market Year Begins China	2019/2020		2020/2021		2021/2022	
	Jul 2019		Jul 2020		Jul 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	29690	29690	30076	30076	0	30100
Beginning Stocks (1000 MT)	115000	115000	116500	116500	0	110200
Milled Production (1000 MT)	146730	146730	148300	148300	0	149000
Rough Production (1000 MT)	209614	209614	211857	211857	0	212857
Milling Rate (.9999) (1000 MT)	7000	7000	7000	7000	0	7000
MY Imports (1000 MT)	2600	2600	3000	2800	0	2800
TY Imports (1000 MT)	3200	2900	2900	2800	0	2800
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	264330	264330	267800	267600	0	262000
MY Exports (1000 MT)	2600	2600	2400	2400	0	2400
TY Exports (1000 MT)	2265	2265	2300	2300	0	2400
Consumption and Residual (1000 MT)	145230	145230	149000	155000	0	158000
Ending Stocks (1000 MT)	116500	116500	116400	110200	0	101600
Total Distribution (1000 MT)	264330	264330	267800	267600	0	262000
Yield (Rough) (MT/HA)	7.0601	7.0601	7.0441	7.0441	0	7.0717

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments