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# **Report Name:** Grain and Feed Update

**Country:** China - Peoples Republic of

**Post:** Beijing

**Report Category:** Grain and Feed

**Prepared By:** Chase Mcgrath

**Approved By:** Adam Branson

**Report Highlights:**

China's MY2020/21 feed and residual use for all coarse grains and feed-quality wheat and rice are estimated to increase to 249.9 million metric tons (MMT), up 15.6 MMT from the previous marketing year due to forecast recovery of swine production and an overall growth in feed demand. Corn production is down slightly by 100,000 metric tons from MY2019/20. China's import demand for corn is forecast to remain strong in the coming months, though some of the demand will be mitigated by an increased use of sorghum, barley, and old rice and wheat stocks in feed rations.

**Note:** The January 2021 Update compares estimates and forecasts for marketing years 2018/19, 2019/20, and MY2020/21. FAS-China projections do not represent official USDA forecasts.[1]

[1] The global Trade Year (TY) for the follow grains is as follows: Corn, Sorghum, and Barley (October – September), for example, TY 2020/21 represents imports or exports from October 2020 to September 2021; Wheat TY 2020/21 is July 2020 through June 2021; Rice TY 2020/21 is January 2021 through December 2021). Marketing Year (MY) is determined by (1) Country and (2) Commodity.

## Policy

### Application and Allocation of Import Tariff Rate Quotas for Grains Remain Unchanged

On September 14, 2020 the National Development and Reform Commission (NDRC) issued the 2021 Detailed Rules for Application and Allocation of Import Tariff Rate Quotas (TRQ) for Grains. The 2021 version kept the quotas for wheat, corn, and rice unchanged from last year. On November 17, NDRC published information on companies that have applied for TRQ for public supervision.

## Feed Grains

### Feed

China's feed demand will remain robust in MY2020/21 with continued swine restocking and livestock sector growth contributing to an overall feed demand increase of 15.6 million metric tons (MMT) from MY2019/20.

Many industry contacts forecast a 23 million metric ton (MMT) corn deficit in MY2020/21. To meet demand, the gap will be filled by reserve auctions, substitutions, and imports. North and East feed mills are more active in rice and wheat auctions specifically targeting sales to feed mills, while Southern mills have easy access to imports of alternative grains. In general, top industry players see rice and wheat substitutes as the major feed trend for the next two years. This trend has been spreading from the North China Plain (NCP) to central China, and from solely in poultry feed to hog feed, as well.

### Corn

Corn production for MY2020/21 is adjusted to 260.7 MMT, down slightly by 100,000 metric tons (MT) from last year because of lower planted acreage but improved yields. While the Chinese government has reiterated that severe lodging caused by typhoons in the major corn belt of the Northeast had a limited impact on production, industry sources paint a different picture. In addition to a much more difficult and costly harvest, industry sources estimate a loss of at least 8 MMT due largely to higher grain toxicity.

While there was concern in the early part of the 2020 growing season over increased impact from Fall Armyworm (FAW), the overall impact was minimal as the worm's march north was halted before reaching the major corn growing areas beyond Liaoning. In addition, less production was lost to drought than was typically witnessed.

The forecast for MY2020/21 feed corn and residual use consumption is 6.0 MMT less than the USDA official forecast due to high prices. While overall feed demand continues to recover, high prices and high rates of mold from lodged corn limit feed consumption.

Corn demand for industrial use is recovering. The starch industry average capacity utilization rate for November was 69 percent, up 2 percent over October. The average corn ethanol plant capacity utilization rate was 55 percent, up 6 percent over October (though still down 15 percent from last year).

After finally decreasing slightly for two weeks in November, corn prices rebounded to a new high. Futures prices were close to U.S. $417 (RMB 2,700) per metric ton (MT) in early December, as a result of continued hog restocking, higher harvest costs caused by lodging, increased state-owned enterprise (SOE) procurement, and other market volatility. Official newspapers called on the public to see the corn

price increase with a more rational view. Media articles referenced that as grain prices increased by less than 10-fold over the last few decades, incomes increased by over 100-fold. The newspapers argued that, "grain supply and farmer income shall both be guaranteed."

FAS China's MY2020/21 corn import forecast remains at 22 MMT, still 4.5 MMT tons higher than the USDA official forecast due to continued strong import demand fueled by high domestic prices, the need and drive to restock grain reserves, and growth in feed consumption. China imported more than the 7.2 MMT tariff-rate-quota (TRQ) in calendar year 2020 with no slowdown in sight. It remains unclear if the 65 percent out of quota duty was applied to imported corn or if additional TRQs were quietly issued as official government agencies remain silent on the matter. In addition, there is rampant industry speculation of a "special TRQ" that will be used for China to import U.S. corn to meet its purchase commitments under the U.S.-China Phase One Economic and Trade Agreement.

For more information please see the report: China's Corn Imports Estimated to Hit 22 Million Metric Tons.

MY2020/21 ending stocks are forecast at 202.2 MMT, up 10.7 MMT from the USDA estimate on higher imports to restock reserves used to fill the supply gap created by growing feed demand. In mid-December, in response to high corn prices, the state resumed temporary corn auctions by offering 576,574 tons of 2015 corn for processing plants in the Northeast. China's official news outlets reported cases of grain storage silo scandals, resulting in over 4 MMT of "disappeared grain." In response, on September 24, the State Council announced it will no longer issue new certificates to approve private grain storage silos for central grain reserves and that central reserve grain will only be stored in facilities directly managed by Sinograin.

**Sorghum**

China's production in MY2020/21 is unchanged at 3.55 MMT. New-crop sorghum was priced at roughly U.S. $621 (RMB 4,100) per metric ton in mid-December, almost double the price of the same period last year. Higher prices are expected to persist with lower supplies relative to last year.

Sorghum consumption for MY 2020/21 is forecast at 10 MMT, but still 700,000 MT lower than the USDA forecast, as old stock wheat and rice are expected to fill more feed rations.

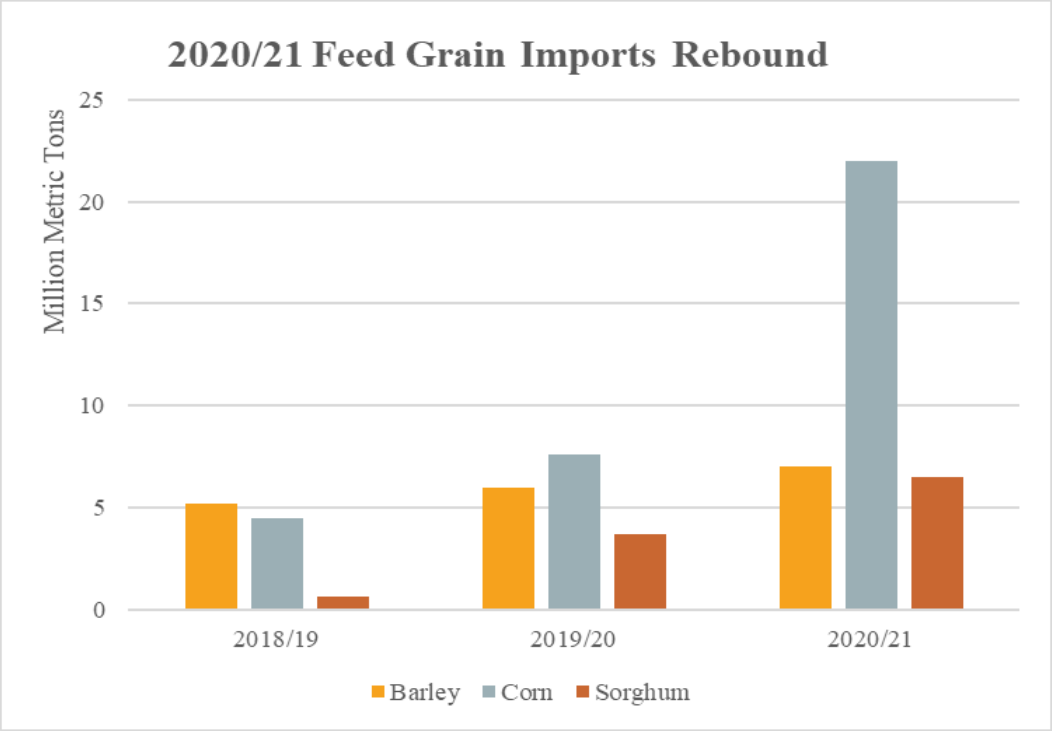
Northeastern sorghum prices soared by more than 40 percent in October to U.S. $636 (RMB 4,200) per MT in Inner Mongolia with strong sales to alcohol beverage (*baijiu)* producers. This price is at the highest level over the past ten years due to lower production, high corn prices, capacity expansion from baijiu producers, and market volatility. Imported sorghum prices vary between U.S. $379-394 (RMB 2,500-2,600) per MT for January delivery, about U.S. $15 (RMB 100) per MT cheaper than corn prices in Southern coastal areas. Most imported U.S. sorghum is used as feed to replace corn and is booked by feed mills before arriving in China. The spot sorghum supply is tight, and prices remain high.

Sorghum imports are forecast at 6.5 MMT, 900,000 MT lower than the USDA forecast due to anticipated availability of other, cheaper substitutes for corn and sorghum.

**Barley**

FAS China's analysis is in line with USDA's official forecast and estimates. Production in MY2020/21 is unchanged at 900,000 tons as government incentives target other cereal and coarse grains. Barley imports remain unchanged from the USDA estimate at 7 MMT though China's trade remedies (antidumping and countervailing duty assessment) on Australian barley, totaling 80.5 percent is due to run for five years and has traders scrambling for alternate suppliers.

Chart 4. FAS China: Feed Grain Imports by Commodity by Marketing Year




**Major Food Grains**

**Wheat**

There is no change in FAS China's production forecast for MY2020/2021 with that of the official USDA forecast. Wheat production is higher than last year owing to yield gains even though planted area is expected to be lower. MY2021/22 winter wheat planting in the major production regions was completed by mid-November.

Wheat consumption is forecast at 132 MMT, down 3 MMT from USDA's estimates due to reduced feed use and lower-than-expected industrial use, as flour mills saw profits plummet on strong wheat prices.

Some feed mills have indicated they are substituting as much as 15-30 percent wheat for corn. While there was expectation the substitution would help push down corn prices, that has yet to happen.

In October the government increased wheat offered for auctions from 3 MMT to 4 MMT per week, the third increase since July 2020. On October 21, 2020, Minimum Support Price (MSP) wheat auctions sold 2.92 MMT of wheat in one day, exceeding the volume of wheat sold throughout all of calendar year

2019. At the same time, spot prices also hit U.S. $392 (RMB 2,540) per metric ton on average due to record high spot corn prices, insufficient corn supply due to the delayed harvest, upcoming anticipated peak consumption season in the fourth quarter, and traders reluctance to sell 2020 new crop wheat in anticipation of even higher prices.

Wheat imports are forecast at 8.5 MMT in MY2020/21. FAS China expects that the wheat TRQ was fully subscribed in calendar year 2020. Industry sources shared that the unused SOE TRQ was reallocated to private TRQ holders and that each received an additional 673 tons.

Reports suggest that China's wheat buyers are trying to source low-gluten wheat for the country's booming high-end bakery market. Tensions between China and Australia are seemingly driving buyers to sign deals for alternate origins.

Ending stocks for MY2020/21 are forecast at 162.4 MMT, due to lower FSI use. On October 30, 2020 the NDRC announced it will continue the 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 buy wheat from farmers at the MSP when the market price drops below that level. The State Council approved, a U.S. $332 (RMB 2,260) per MT MSP for wheat (3rd class) for 2021, U.S. $3 (RMB 20) per MT higher than 2020. Industry believes this slight increase aims to increase farmers' income and stabilize wheat production.

**Rice**

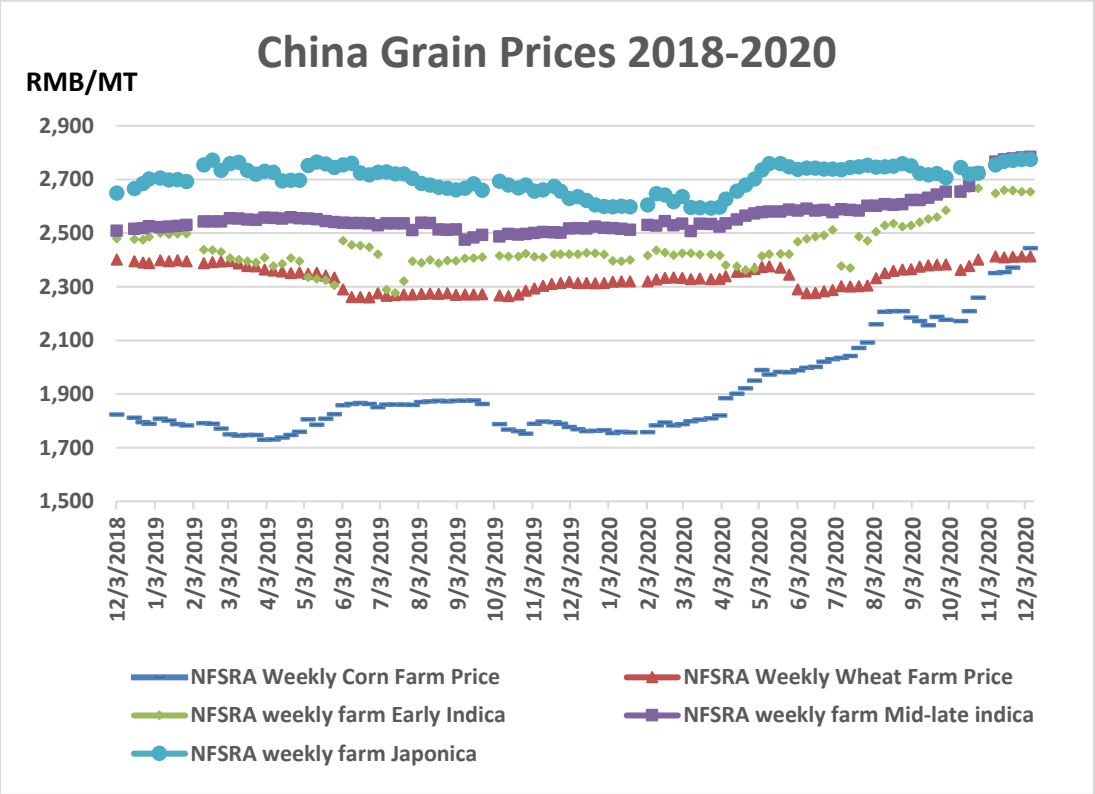
Milled rice production in MY2020/21[2] is forecast at 148.3 MMT mainly due to policy-driven factors that encouraged expansion of early rice planting area. China finished harvesting the late double-crop production in late October and the single-crop rice area in early December.

The MY2020/21 rice consumption forecast is 152 MMT, higher than the USDA forecast, and is driven by ever rising feed use.

According to industry sources, non-public rice auctions targeted specifically for feed use have been ongoing for weeks with 1 MMT per week offered since August. The rice must first be broken by a designated SOE and mixed with a ratio of 85 percent rice and 15 percent wheat to prevent it from going into the food supply chain before delivery to feed mills. Feed mills were slow to purchase in the initial weeks due to storage concerns but have since warmed up to the idea with rising corn prices.

[2] Marketing Year (MY) for China is July – June. Trade Year (TY) for global rice trade is January – December. The Rice Production, Supply, and Demand (PSD) table for China's 2020/21 TY (pg.14) represent imports and exports from January 2020 to December 2021, and 2020/21 MY signifies trade from July 2020 to June 2021.

Table 5: FAS China: Wheat, Corn, Rice Price Comparisons




All indications point to the long-grain rice TRQ being fully subscribed in 2021 while the short/medium grain TRQ will be underutilized. Though Chinese mainstream media reported the arrival of the first import of U.S. rice into China, the pace of product sales has been slow.

Traders contracted to import 100,000 MT of Indian broken rice for December 2020 to February 2021 at around U.S. $300 per MT on a free-on-board (FOB) basis. China has begun importing Indian rice for the first time in at least three decades due to tightening supplies from Thailand, Myanmar and Vietnam at sharply discounted prices. Chinese industry indicates the Indian rice is mostly broken rice, mainly for feed use.

MY2020/21 stocks are estimated at 112.3 MMT, lower than USDA estimates on higher feed use. The reduction in rice stocks is attributed to the auctions of older rice and tight or insufficient storage capacity. Industry reports that some old stocks were no longer suitable for China's reserve and were sold to ethanol producers as a feedstock or for SOEs to export.

| Corn | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Oct 2018 | | Oct 2019 | | Oct 2020 | |
| China | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** (1000 HA) | 42130 | 42130 | 41280 | 41280 | 41264 | 41264 |
| **Beginning Stocks** (1000 MT) | 222525 | 222525 | 210163 | 210163 | 200526 | 200526 |
| **Production** (1000 MT) | 257174 | 257174 | 260779 | 260779 | 260670 | 260670 |
| **MY Imports** (1000 MT) | 4483 | 4483 | 7596 | 7596 | 17500 | 22000 |
| **TY Imports** (1000 MT) | 4483 | 4483 | 7596 | 7596 | 17500 | 22000 |
| **TY Imp. from U.S.** (1000 MT) | 319 | 319 | 3020 | 3020 | 0 | 0 |
| **Total Supply** (1000 MT) | 484182 | 484182 | 478538 | 478538 | 478696 | 483196 |
| **MY Exports** (1000 MT) | 19 | 19 | 12 | 12 | 20 | 20 |
| **TY Exports** (1000 MT) | 19 | 19 | 12 | 12 | 20 | 20 |
| **Feed and Residual** (1000 MT) | 191000 | 191000 | 193000 | 193000 | 200000 | 194000 |
| **FSI Consumption** (1000 MT) | 83000 | 83000 | 85000 | 85000 | 87000 | 87000 |
| **Total Consumption** (1000 MT) | 274000 | 274000 | 278000 | 278000 | 287000 | 281000 |
| **Ending Stocks** (1000 MT) | 210163 | 210163 | 200526 | 200526 | 191676 | 202176 |
| **Total Distribution** (1000 MT) | 484182 | 484182 | 478538 | 478538 | 478696 | 483196 |
| **Yield** (MT/HA) | 6.1043 | 6.1043 | 6.3173 | 6.3173 | 6.3171 | 6.3171 |
| | | | | | | |

(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 2020/2021 = October 2020 - September 2021

| Sorghum | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Oct 2018 | | Oct 2019 | | Oct 2020 | |
| China | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** (1000 HA) | 619 | 619 | 750 | 750 | 730 | 730 |
| **Beginning Stocks** (1000 MT) | 105 | 105 | 17 | 17 | 97 | 97 |
| **Production** (1000 MT) | 2909 | 2909 | 3600 | 3600 | 3550 | 3550 |
| **MY Imports** (1000 MT) | 652 | 652 | 3709 | 3709 | 7400 | 6500 |
| **TY Imports** (1000 MT) | 652 | 652 | 3709 | 3709 | 7400 | 6500 |
| **TY Imp. from U.S.** (1000 MT) | 628 | 628 | 4127 | 4127 | 0 | 0 |
| **Total Supply** (1000 MT) | 3666 | 3666 | 7326 | 7326 | 11047 | 10147 |
| **MY Exports** (1000 MT) | 49 | 49 | 29 | 29 | 50 | 50 |
| **TY Exports** (1000 MT) | 49 | 49 | 29 | 29 | 50 | 50 |
| **Feed and Residual** (1000 MT) | 1500 | 1500 | 4500 | 4500 | 8000 | 7200 |
| **FSI Consumption** (1000 MT) | 2100 | 2100 | 2700 | 2700 | 2700 | 2800 |
| **Total Consumption** (1000 MT) | 3600 | 3600 | 7200 | 7200 | 10700 | 10000 |
| **Ending Stocks** (1000 MT) | 17 | 17 | 97 | 97 | 297 | 97 |
| **Total Distribution** (1000 MT) | 3666 | 3666 | 7326 | 7326 | 11047 | 10147 |
| **Yield** (MT/HA) | 4.6995 | 4.6995 | 4.8 | 4.8 | 4.863 | 4.863 |
| | | | | | | |

(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 2020/2021 = October 2020 - September 2021

| Barley | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Oct 2018 | | Oct 2019 | | Oct 2020 | |
| China | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** (1000 HA) | 263 | 263 | 260 | 260 | 260 | 260 |
| **Beginning Stocks** (1000 MT) | 107 | 107 | 45 | 45 | 214 | 214 |
| **Production** (1000 MT) | 957 | 957 | 900 | 900 | 900 | 900 |
| **MY Imports** (1000 MT) | 5181 | 5181 | 5969 | 5969 | 7000 | 7000 |
| **TY Imports** (1000 MT) | 5181 | 5181 | 5969 | 5969 | 7000 | 7000 |
| **TY Imp. from U.S.** (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** (1000 MT) | 6245 | 6245 | 6914 | 6914 | 8114 | 8114 |
| **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) | 2400 | 2400 | 2800 | 2800 | 3700 | 3700 |
| **FSI Consumption** (1000 MT) | 3800 | 3800 | 3900 | 3900 | 4000 | 4000 |
| **Total Consumption** (1000 MT) | 6200 | 6200 | 6700 | 6700 | 7700 | 7700 |
| **Ending Stocks** (1000 MT) | 45 | 45 | 214 | 214 | 414 | 414 |
| **Total Distribution** (1000 MT) | 6245 | 6245 | 6914 | 6914 | 8114 | 8114 |
| **Yield** (MT/HA) | 3.6388 | 3.6388 | 3.4615 | 3.4615 | 3.4615 | 3.4615 |
| | | | | | | |

(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 2020/2021 = October 2020 - September 2021

| Wheat | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Jul 2018 | | Jul 2019 | | Jul 2020 | |
| China | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** (1000 HA) | 24268 | 24268 | 23730 | 23730 | 23380 | 23380 |
| **Beginning Stocks** (1000 MT) | 131196 | 131196 | 139765 | 139765 | 151682 | 152682 |
| **Production** (1000 MT) | 131430 | 131430 | 133590 | 133590 | 134250 | 134250 |
| **MY Imports** (1000 MT) | 3145 | 3145 | 5376 | 5376 | 9000 | 8500 |
| **TY Imports** (1000 MT) | 3145 | 3145 | 5376 | 5376 | 9000 | 8500 |
| **TY Imp. from U.S.** (1000 MT) | 45 | 45 | 762 | 762 | 0 | 0 |
| **Total Supply** (1000 MT) | 265771 | 265771 | 278731 | 278731 | 294932 | 295432 |
| **MY Exports** (1000 MT) | 1006 | 1006 | 1049 | 1049 | 1000 | 1000 |
| **TY Exports** (1000 MT) | 1006 | 1006 | 1049 | 1049 | 1000 | 1000 |
| **Feed and Residual** (1000 MT) | 20000 | 20000 | 19000 | 18000 | 25000 | 24000 |
| **FSI Consumption** (1000 MT) | 105000 | 105000 | 107000 | 107000 | 110000 | 108000 |
| **Total Consumption** (1000 MT) | 125000 | 125000 | 126000 | 125000 | 135000 | 132000 |
| **Ending Stocks** (1000 MT) | 139765 | 139765 | 151682 | 152682 | 158932 | 162432 |
| **Total Distribution** (1000 MT) | 265771 | 265771 | 278731 | 278731 | 294932 | 295432 |
| **Yield** (MT/HA) | 5.4158 | 5.4158 | 5.6296 | 5.6296 | 5.7421 | 5.7421 |
| | | | | | | |

(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 2020/2021 = July 2020 - June 2021

| Rice, Milled | 2018/2019 | | 2019/2020 | | 2020/2021 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Jul 2018 | | Jul 2019 | | Jul 2020 | |
| China | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Harvested** (1000 HA) | 30189 | 30189 | 29690 | 29690 | 30076 | 30076 |
| **Beginning Stocks** (1000 MT) | 109000 | 109000 | 115000 | 115000 | 116500 | 116500 |
| **Milled Production** (1000 MT) | 148490 | 148490 | 146730 | 146730 | 148300 | 148300 |
| **Rough Production** (1000 MT) | 212129 | 212129 | 209614 | 209614 | 211857 | 211857 |
| **Milling Rate (.9999)** (1000 MT) | 7000 | 7000 | 7000 | 7000 | 7000 | 7000 |
| **MY Imports** (1000 MT) | 3200 | 3200 | 2600 | 2400 | 2200 | 2200 |
| **TY Imports** (1000 MT) | 2800 | 2800 | 2300 | 2300 | 2200 | 2200 |
| **TY Imp. from U.S.** (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Supply** (1000 MT) | 260690 | 260690 | 264330 | 264130 | 267000 | 267000 |
| **MY Exports** (1000 MT) | 2770 | 2770 | 2600 | 2600 | 2500 | 2700 |
| **TY Exports** (1000 MT) | 2720 | 2720 | 2400 | 2400 | 2500 | 2700 |
| **Consumption and Residual** (1000 MT) | 142920 | 142920 | 145230 | 145030 | 147500 | 152000 |
| **Ending Stocks** (1000 MT) | 115000 | 115000 | 116500 | 116500 | 117000 | 112300 |
| **Total Distribution** (1000 MT) | 260690 | 260690 | 264330 | 264130 | 267000 | 267000 |
| **Yield (Rough)** (MT/HA) | 7.0267 | 7.0267 | 7.0601 | 7.0601 | 7.0441 | 7.0441 |
| | | | | | | |

(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 2020/2021 = January 2021 - December 2021

**Attachments:**

No Attachments