**Date:** 11/3/2014

**GAIN Report Number:** CH14049

# China - Peoples Republic of

# Grain and Feed Update

# October Update

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

**Post:**
Beijing

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

## Wheat

### Production

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

### Imports

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

## Corn

### Production

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

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

MY2013/14 level.

**Imports**

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

**Consumption**

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

**Stocks**

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

**Rice**

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

**Sorghum**

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

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

**PSD Tables**

Wheat

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

**Corn**

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

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

**Sorghum**

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

**Rice Milled**

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

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