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Required Report - public distribution

**Date:** 6/28/2013

**GAIN Report Number:** 13029

## **China - Peoples Republic of**

### **Grain and Feed Update**

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**Report Highlights:**

China's wheat production in MY13/14 is revised to 118 million tons, a two percent decrease from the previous year, due to yield losses from adverse weather. MY13/14 wheat imports are forecast at 4 million tons, an increase of 1 million tons from MY12/13 due to competitive international prices. In MY13/14, corn acreage is estimated to rise two percent from the previous year supporting a production forecast estimated at 210 million tons. Strong domestic consumption will drive MY13/14 corn imports to 5 million tons. Rice imports in MY13/14 are estimated at 3 million tons, due to its price

competitiveness over domestic rice, which is supported by a government floor price.

**Post:**  
Beijing

**Executive Summary:**

Post's estimate for China's wheat production in marketing year MY13/14 is revised to 118 million tons, a two percent decrease from the previous year, due to yield losses from adverse weather . MY13/14 wheat imports are forecast at 4 million tons, an increase of 1 million tons from MY12/13 as international prices are price competitive with local wheat in feed and flour mills. In MY13/14, corn acreage is estimated to rise two percent from the previous year as farmers favor corn planting over soybeans, tubers or other minor grains. Corn production is forecast at 210 million tons, assuming a better than average yield. MY13/14 corn imports are forecast at 5 million tons as domestic consumption continues to outpace production. Rice imports in MY13/14 are estimated at 3 million tons, due to its price competitiveness over domestic rice, which is supported by a government floor price.

During MY13/14, the government is likely to increase imports of such grains to replenish state reserves or meet demand by private sector companies.

**Author Defined:**

**Wheat**

**Production**

For marketing year MY13/14, wheat production is estimated at 118 million tons, down 3 million tons from the previous year, due to yield losses from adverse weather. According to Post's field survey and confirmed by industry sources, prolonged rainy days in late May and June adversely impacted the wheat yield in major wheat production provinces such as Henan, Hubei, Anhui and Shandong. In parts of these regions, the excessive rainfall also downgraded wheat quality; as a result, there is a relatively high rate of unsound kernels, such as molded or germinated kernels, in this year's crop, according to industry sources.

A preliminary estimate by Henan state grain company showed that in the southern part of the province, approximately 10 million tons of wheat failed to meet quality standards as required for state reserves due to a relatively high rate of unsound kernels (shrunk, germinated, or mold damaged).

Industry sources reported that to protect farmers' income, the government may purchase substandard wheat at a price lower than the preset floor price. Such wheat could be temporarily stored in state silos and later sold to feed or flour mills. Similar state purchases occurred in MY09/10 when state grain reserves bought germinated wheat in Henan.

**Trade**

Wheat imports in MY13/14 are projected to reach 4 million tons, one million higher than the previous year, because of a lower than expected harvest. Trade sources estimate that the price for quality wheat rose in the major wheat producing provinces due to reduced yields and lower quality which may influence additional wheat imports in MY13/14.

Given the price competitiveness with local production and demand for better quality, imports are blended with local production at flour mills, particularly in the south coastal province of Guangdong. If priced competitively over corn, imported wheat is also used in the feed sector. For MY13/14, traders are reporting purchases of feed wheat from France due to its competitive price advantage over China's domestic corn in Guangdong province. Reported prices for French wheat are more than 100RMB per ton (\$15) lower than offered for domestic corn.

## **Corn Production**

MY13/14 corn acreage is forecast to rise by two percent from the previous year as farmers favor corn planting over soybeans and tubers. Overall national corn production is forecast at 210 million tons, assuming a better than average yield in MY 13/14.

In northeast China, corn planting was delayed by nearly two weeks due to excessive soil moisture and low temperatures in the spring. In Heilongjiang, the largest soybean production province in China, soybean acreage has declined in recent years while corn acreage has grown. However, in MY13/14, due to adverse planting conditions in parts of the province, corn could not be planted in time to substitute for soybeans.

Despite this two week delay in corn planting in most parts of the Northeast, Post's crop tour in June showed that the corn emergence in the Northeast was rated above average, due to adequate soil moisture at planting time. The current crop size, however, is rated below normal because of prolonged low temperatures in May. However, farmers are expecting an above average year in 2013 based on the positive emergence rate. Heilongjiang is experiencing the best emergence rate for corn in recent years. Crop conditions in Jilin and Liaoning provinces are also rated above average. Corn remains a preferred crop in the northeast due to its higher yield and stable price compared to soybeans, mung beans, and kidney beans.

In MY13/14, however, corn production costs continue to increase. Labor costs and land rentals are expected to climb by more than 10 percent over the previous year and, costs for seed, fertilizer and other agricultural chemicals, such as pesticides and herbicides, are estimated to rise slightly from the previous year, according to Post's field survey.

MY12/13 corn prices in the Northeast are more than 10 percent lower than last year due to bumper crops and a slowdown in industrial and feed use which affects farmers' profit margins. To support the

market price and maintain farmers' income, the state reserve purchased 30 million tons of corn in the Northeast as temporary reserve. This reserve will be made available for southern consumption, as needed, if market prices strengthen.

### Consumption

Feed consumption growth in MY12/13 was slower than the previous year due to an avian influenza outbreak in the poultry sector and other meat safety incidents which lowered demand. A full recovery in feed use for the poultry and swine sectors is expected in MY13/14 barring no new animal disease outbreaks.

### Trade

MY13/14 corn imports are estimated at 5 million tons. Given current low prices for U.S. corn, both private sector (feed mills) and the government (state reserves) are expected to purchase corn from the United States. Trade sources estimated that by end of May, China made several purchase contracts (approximately 2.5 million tons) for delivery after September 2013. Currently, the United States is almost the exclusive corn supplier to China. However, trade sources report that Chinese importers are also looking to expand suppliers, such as Argentina and Ukraine that gained market access in recent years. In MY11/12, an end user (a feed mill) experimented to import some corn (less than 50 tons) from Argentina.

China's Administration on Quality Supervision, Inspection and Quarantine (AQSIQ) listed the table below noting all exporting countries to China. AQSIQ updates this list when market access is granted for new suppliers.

This table was updated in April 2013, and it includes the following changes:

- corn and paddy rice from Russia (only for experimental imports that are planted by Chinese contracted farms in Russia);
- minor grains or pulses (such as sorghum and peas) for food or feed purpose. (No countries are specified in the list. A separate notice by AQSIQ showed that U.S. sorghum is included); and
- AQSIQ's website states that Mongolian barley is preliminary approved for market access as of May 2013.

• Countries Allowed to Export Grains to China [Updated April 2013]	
• Wheat	• Australia, Canada, France, Kazakhstan, Hungary, United Kingdom, United States, Serbia and Mongolia
• Corn	• Thailand, United States, Peru, Laos, Argentina, Ukraine and *Russia (only for the experimental imports that is planted by Chinese contracted

	farms in Russia)
• Barley	• Australia, Canada, Denmark, France and Argentina.

## Rice

For MY13/14, forecast for rice acreage and production is unchanged from the annual report.

## Consumption

For MY13/14, overall rice consumption is forecast to remain unchanged despite media reports of safety issues with heavy metal contamination in domestic rice crops. Rice is a local food, and as such, consumer preference for rice varieties (Indica or Japonica) does not change easily. However, the food safety scandal could provide a useful marketing opportunity for domestic brand names or imported rice varieties that are associated with high quality and safety.

## Trade

In MY12/13 and MY13/14, rice imports are estimated at 2.8 million tons and 3.0 million tons, respectively. Rice imports from Vietnam, Pakistan and Thailand continue to be price competitive over domestic rice. According to rice mills in Hunan and Jiangxi, the major rice production region, the current import price for Indica rice is about RMB 300 per ton (or US\$48 per ton) cheaper than local rice. Both the rice producer and rice mills (processing domestic rice) complain to the government about the rise in rice imports in MY12/13. Reportedly, the government has tightened controls on tariff rate quota (TRQ) allocations for rice imports in CY 2013. It was previously reported by trade contacts that, due to improper supervision, the importers used the Japonica TRQ to import Indica rice varieties.

China's total TRQ for rice is 5.2 million tons on a calendar year basis (divided equally between Indica and Japonica).

**Barley:** No revisions to USDA's official estimate.

## Sorghum:

Production estimate is unchanged.

MY13/14 sorghum imports are revised upward to a record high of 500,000 tons. According to trade sources, in the first half of CY2013, after AQSIQ clarified its policy permitting sorghum imports for feed (or food), the feed mills in southern China have contracted about 400,000 tons of U.S. sorghum for delivery in MY13/14. There is no TRQ on sorghum imports. Feed mills in China have a strong interest in purchasing sorghum from the United States or Australia; however, exportable supplies may be limited in these two countries, according to trade contacts.

## PSD Tables

**Table 1. Wheat**

Wheat	2011/2012	2012/2013	2013/2014
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China	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,270	24,270	24,140	24,140	24,250	24,250
Beginning Stocks	59,091	59,091	55,946	55,946	58,746	59,146
Production	117,400	117,400	120,600	121,000	121,000	118,000
MY Imports	2,933	2,933	3,200	3,000	3,500	4,000
TY Imports	2,933	2,933	3,200	3,000	3,500	4,000
TY Imp. from U.S.	597	597	0	0	0	0
Total Supply	179,424	179,424	179,746	179,946	183,246	181,146
MY Exports	978	978	1,000	800	1,000	800
TY Exports	978	978	1,000	800	1,000	800
Feed and Residual	24,000	24,000	20,000	20,000	20,000	18,000
FSI Consumption	98,500	98,500	100,000	100,000	100,500	100,500
Total Consumption	122,500	122,500	120,000	120,000	120,500	118,500
Ending Stocks	55,946	55,946	58,746	59,146	61,746	61,846
Total Distribution	179,424	179,424	179,746	179,946	183,246	181,146

**Table 2. Corn**

Corn China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	33,540	33,540	34,950	34,950	36,000	35,650
Beginning Stocks	49,415	49,415	59,335	59,335	60,885	60,885
Production	192,780	192,780	205,600	205,600	212,000	210,000
MY Imports	5,231	5,231	3,000	3,000	7,000	5,000
TY Imports	5,231	5,231	3,000	3,000	7,000	5,000
TY Imp. from U.S.	5,337	5,337	0	0	0	
Total Supply	247,426	247,426	267,935	267,935	279,885	275,885
MY Exports	91	91	50	50	50	50
TY Exports	91	91	50	50	50	50
Feed and Residual	131,000	131,000	144,000	144,000	156,000	155,000
FSI Consumption	57,000	57,000	63,000	63,000	68,000	68,000
Total Consumption	188,000	188,000	207,000	207,000	224,000	223,000
Ending Stocks	59,335	59,335	60,885	60,885	55,835	52,835
Total Distribution	247,426	247,426	267,935	267,935	279,885	275,885

**Table 3. Rice**

Rice, Milled China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30,057	30,057	30,300	30,300	30,600	30,600
Beginning Stocks	42,574	42,574	45,023	45,023	46,623	46,773
Milled Production	140,700	140,700	143,000	143,300	144,000	144,000
Rough Production	201,000	201,000	204,286	204,714	205,714	205,714

Milling Rate (.9999)	7,000	7,000	7,000	7,000	7,000	7,000
MY Imports	1,790	1,790	2,900	2,800	3,000	3,000
TY Imports	2,900	2,900	3,000	2,800	3,000	3,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	185,064	185,064	190,923	191,123	193,623	193,773
MY Exports	441	441	300	350	200	250
TY Exports	267	267	300	350	200	250
Consumption and Residual	139,600	139,600	144,000	144,000	147,000	147,000
Ending Stocks	45,023	45,023	46,623	46,773	46,423	46,523
Total Distribution	185,064	185,064	190,923	191,123	193,623	193,773

**Table 4. Sorghum**

Sorghum China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	500	500	520	520	480	480
Beginning Stocks	467	467	365	365	405	405
Production	2,050	2,050	2,190	2,190	2,000	2,000
MY Imports	84	84	200	200	200	500
TY Imports	84	84	200	200	200	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,601	2,601	2,755	2,755	2,605	2,905
MY Exports	36	36	50	50	50	50
TY Exports	36	36	50	50	50	50
Feed and Residual	400	400	500	500	500	800
FSI Consumption	1,800	1,800	1,800	1,800	1,800	1,800
Total Consumption	2,200	2,200	2,300	2,300	2,300	2,600
Ending Stocks	365	365	405	405	255	255
Total Distribution	2,601	2,601	2,755	2,755	2,605	2,905