

Voluntary Report – Voluntary - Public Distribution

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Report Name: Offloading Old Stock Rice Through Annual Auction

Country: China - People's Republic of

Post: Beijing

Report Category: Grain and Feed

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Report Highlights:

The People's Republic of China (PRC) will re-start old crop rice auctions for feed use beginning in March 2023 to rotate out older stocks, to provide grain alternatives, and to temper rising feed grain prices. The rumored volume of old stock rice to be offered is around 18 million metric tons (MMT), less than half the amount on offer in 2021 and 2022. Sources report old stock rice reserves have dwindled in previous years as old crop rice was auctioned in an attempt to relieve pressure on corn prices and very old crop replaced.

Industry contacts report that the PRC’s state-owned grain reserves will launch the 2023 old stock rice auction program in March. The total volume of old stock rice to be offered for auctions is rumored to be around 18 MMT, less than half the amounts on offer in 2021 and 2022. Industry contacts believe the auction includes 15 MMT of 2018 crop and 3 MMT of 2019 crop rice. Approximately 13 MMT will be sold in northeastern Heilongjiang province alone. Similar to last year, the auctions are open to a limited number of participants. This could include six grain State-Owned Enterprises (SOEs), namely COFCO, Sinochem Holdings, China Animal Husbandry Industry Co., Ltd. (CAHIC), Beidahuang, China Co-op Group, and China Resources, and five major private feed and swine producers, including Wellhope, Muyuan Foodstuff, New Hope, Twins Group, and Haid Group.

Auction Period		Amount Offered	Amount Sold	Notes
2020		14.5 MMT	9.2 MMT	
2021	March 31- October 28	48 MMT	15.6 MMT	-Floor price increased from RMB 1,300 to 1,500 per metric ton (MT) -Rice mixed with wheat to be used in feed -2 MMT rice offered each week
2022	March 10 to April 14	43.9	4.5 MMT	-Floor price remained at RMB 1,500 per MT -500,000—1 MMT rice offered each week
	May 15- September		24.6 MMT	-Floor price increased from RMB 1,500 to RMB1,600 per MT in Northeast and 1,700 per MT in South -2 MMT rice was offered each week
Source: Post Industry Sources				

The 18 MMT to be offered in 2023 is likely the unsold rice that was on offer in the 2020-2022 auctions. Old stock rice reserves are believed to be depleted after several years of old crop rice auctions that were carried out to provide alternatives to persistently high corn prices.

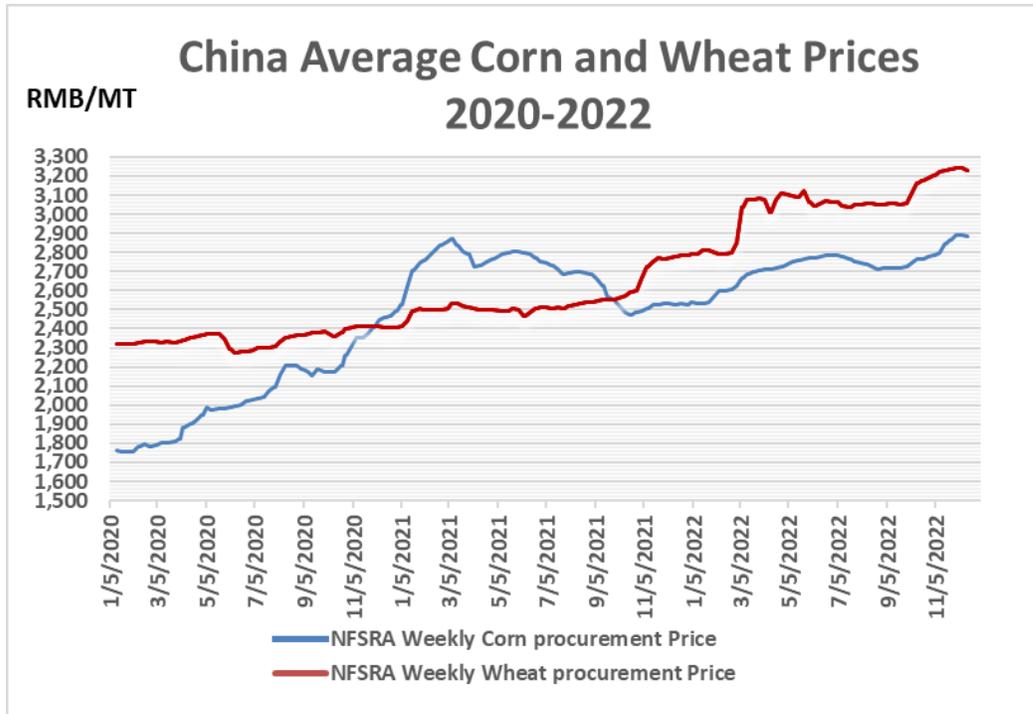
Industry contacts estimate the market price of the auctioned old stock rice, plus processing and logistics will end up around U.S. \$16 (RMB 110) per MT lower than corn prices at northern ports.

On the rumored news of the re-launch of feed rice auctions on January 31, the Dalian Commodity Exchange leading corn futures Contract C2303 sank by RMB 48 and holders of this futures contract sold their holdings, worth over U.S. \$117 million (RMB 784 million).

Old stock rice auctions are presumably aimed at supplementing tight feed grain supplies and carried out to help lower feed grain ingredient prices on the domestic market. As domestic average corn prices soared since 2020 to the end of 2022, China’s reserves sold off a total of 54 MMT old stock rice,

including 9 MMT in calendar year 2020, close to 16 MMT in 2021, and more than 29 MMT in 2022. Old stock rice reserves are believed to be nearly depleted.

Chart 1: China: China Average Corn and Wheat Prices 2020-2022



Source: Post Industry Sources

As corn prices remained high throughout 2022 and into 2023, China faced challenges to continue importing broken rice, sorghum, and barley as corn substitutes. The PRC continues to reiterate the importance of grain reserves as a “cornerstone” for food security. Over the past three years, the government has purchased various grains from both home and abroad for reserves.

The grain state-owned enterprise Sinograin announced it plans to increase its grain storage capacity by 30 MMT from 2021 to 2023, accounting for one third of the company’s existing capacity. 17.3 MMT of the capacity has been built or is under construction as of January 2023.

Attachments:

No Attachments.