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China - Peoples Republic of

Oilseeds and Products Update

MY15/16 China soybean imports forecast at 79 million tons

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Report Highlights:

MY15/16 soybean imports are forecast at 79 million tons, slightly higher than the previous year. The high import forecast is based on lower domestic production together with growing demand for protein meal and vegetable oil, however, offset by relatively high carry-in stocks of soybeans. MY14/15 soybean imports hit record of 78.35 million tons with net growth of 8 million tons from the previous year due to growing demand for oilseed products and the low price of soybeans in the world market. Post's October forecast for MY15/16 total domestic oilseed production is 3.26 million tons lower than the estimated 57 million tons in MY14/15.

Executive Summary:

MY15/16 soybean imports are forecast at 79 million tons, slightly higher than the previous year. The high import forecast is based on lower domestic production together with growing demand for protein meal and vegetable oil, however, offset by relatively high carry-in stocks of soybeans. The United States soybean exports to China continue to be challenged by south American soybeans with total U.S. exports forecast at about 30 million tons in MY15/16. MY14/15 soybean imports hit record of 78.35 million tons with net growth of 8 million tons from the previous year due to growing demand for oilseed products and the low price of soybeans in the world market. Post's October forecast for MY15/16 total domestic oilseed production is 3.26 million tons lower than the estimated 57 million tons in MY14/15. Discrepancies over actual domestic rapeseed production continue to challenge in calculating China's oilseed balance sheets.

Impact of new corn policy on soybeans expected to be limited in MY16/17

Post forecast for MY15/16 soybean production of 11 million tons remains unchanged. China National Grain and Oils Information Center (CNGOIC) maintained 11 million tons for MY15/16 domestic soybean production. Another industry source estimated MY15/16 soybean production at 11.2 million tons compared to the 11.7 million tons in the previous year. Industry source indicate that due to a 3.2 percent area fall and 11 percent decline in yield, production for Heilongjiang Province was 3.57 million tons, down from the 4.16 million tons in the previous year.

China's new corn support policy appears to have limited impact on soybeans. On September 19, China's State Grain Administration announced that the government will purchase 2015 corn (for state temporary reserves) at a price of RMB2,000 (\$317) per ton in the four Northeast provinces. This is RMB260 (\$41) per ton lower than the previous year. Industry insiders believe this price change is expected to reduce corn profits in MY15/16, thus impacting farmer's planting intention for the next season. Although the government "target price" for soybeans in the four northeast provinces remains unchanged at RMB4,800/ton, currently soybean price stands at about RMB4,000/ton, much lower than the RMB4,500/ton price during the previous year. Industry insiders also believe that soybean profits continue to be lower compared to corn. Additionally, as the "target price-based subsidy" does not extend to other soybean-producing provinces, the current price ranging from RMB4,000 to 4,200/ton has reportedly resulted in negative earnings for farmers in Anhui and Hubei Provinces.

As reported in July, in several occasions, China's Ministry of Agriculture (MOA) called for an adjustment of the crop mix by cutting 10 million Mu (or 666,000 Ha) of corn acreage in the Northeast provinces in 2016. However, the lack of details on how this crop adjustment proposal would be executed signals it will have a limited impact in boosting soybean planted area in 2016.

Rapeseed planting area forecast down 10 percent in MY16/17

MY16/17 rapeseed planting is in progress with a preliminary forecast for planted area down by 10 percent over the previous year. This is mainly due to low prices in MY15/16. Actual domestic

rapeseed production remains lower than the official data. Some China's industry sources estimate domestic rapeseed production is as low as 8 million tons for MY15/16, compared to the officially reported level of more than 14 million tons. Low profit margin remains the leading factor for a shrinking rapeseed planted area. The government's change to a low direct subsidy to farmers in MY15/16 will cut down rapeseed area further. Industry sources widely believe that the rapeseed farmer's gross income per ton in MY15/16 (at about RMB3,720/ton or \$600/ton) is significantly lower than the floor price of RMB5,100/ton (\$823/ton) received during the previous year.

CNGOIC data shows that as of the end of September, total purchased volume by "leading enterprises" in the 9 rapeseed-producing provinces were merely 1.6 million tons, down by 1.88 million tons over the same period of last year. CNGOIC explained that a small production reduced rapeseed supply in the market and drove down purchases by the industry. Meanwhile as a result of the low market price, more farmers opted to use rapeseed in exchange for oil from local small crushers which reduced commercial sales to crushers. In addition, in anticipating a price recovery, farmers and traders are currently holding more rapeseed than normal.

Rapeseed Statistics (MY11/12 to MY15/16; in ton)

Year	MY11/12	MY12/13	MY13/14	MY14/15	MY15/16
NSB production	13,426,000	14,007,000	14,458,000	14,600,000	13,880,000**
Floor price (RMB/ton)	4,600	5,000	5,100	5,100	NA
Volume purchased by state and industry	5,658,000	5,909,000	6,160,000	3,486,000	1,600,000 (as of end of Sept)
Estimated rapeseed oil stocks *	2,280,000	3,780,000	5,480,000	6,380,000	6,228,000
Auctioned volume		6,600		106,400****	
Rapeseed imports	2,621,644	3,420,555	5,045,580	4,591,000	3,900,000***
Rapeseed oil imports	1,036,080	1,597,958	902,225	732,000	700,000***

Source: CNGOIC; Note:*Cumulative state temporary reserve;

**Production not including autumn harvest crop ranging from 0.8 to 1 million tons;

FAS/Beijing forecast;*Auction ended in June 2015

Cottonseed

Post forecast for MY15/16 cottonseed production of 9.54 million tons, remains unchanged from its previous report. This is 2.2 million tons lower from than the previous year mainly as a result of changes in government's subsidy policy.

Peanuts

Post forecast for MY15/16 peanut production of 16.7 million tons, also remains unchanged from its

previous report. This forecast is up slightly from the estimated 16.5 million ton in MY14/15.

MY15/16 soybean imports forecast at 79 million tons

MY14/15 soybean imports surged to 78.35 million tons despite a slight fall in feed production during the first months of 2015. High soybeans imports are supported by a growing domestic demand for soybean products and the large domestic crushing capacity. Additionally, the current weak global soybean price and anticipated good crop encourages Chinese importers to buy more. China's lower supply of other meals including rapeseed meal and cottonseed meal together with high corn prices encouraged feed mills to use more soybean meal in 2015. China continues to produce feed pre-mixed with feed additives which require the addition of protein meals before consumption. Increased use of whole soybeans as a feed ingredient, and the use of imported soybeans for food processing is also driving the high level of imports.

A net growth of 8 million tons in soybean imports per year may not reflect the actual demand growth and it is widely believed not to be sustainable. MY15/16 imports of soybeans are expected to continue growing to 79 million tons based on anticipated steady growth of protein meal consumption. Import growth is expected to eventually level off due to relatively high carry-in stocks, currently estimated at 17.9 million tons, although domestic oilseed production continues to decline. The United States soybean exports to China continue to be challenged by South American soybeans with total U.S. exports forecast at about 30 million tons in MY15/16, slightly high than the 29.7 million tons in MY14/15.

Protein meal consumption expected to grow in MY15/16

Forecast total protein meal consumption for MY15/16 is up 1.8 percent from the previous year to 79.8 million tons. Out of total consumption, soybean meal use is up by 5.2 percent or a net growth of 3 million tons over the previous year to compensate a smaller supply of other meals together with likely shrinking imports of DDGS due to possible policy changes. Industry insiders believe that the low price driving soybean meal inclusion rate to high levels in MY14/15 will not increase further in MY15/16. In general, protein meal use continues to be driven by a growing demand for animal products due to economic growth, the increase in population and urbanization.

Industry sources indicated that the October feed production level remains similar to that in September. Industry data showed that the hog-to-corn price ratio declined slightly to 8:01 to 1 in mid-October. In addition, hog profits fell to an average RMB353 (or \$60) per head in later October due to increased supply of pork for the two October holidays, however, both hog-to-corn price ratio and hog profits remain at a high level. Feed production in the first quarter of MY15/16 is expected to be up moderately from the previous quarter in response to a slow increase in swine inventory and stable layer production. Swine inventory recovered slowly in October with swine feed production up 5 percent from September. However, broiler profits declined significantly in October discouraging farmers to add inventory. As the holiday season approach, demands for animal products are expected to recover in late 2015 and the first months of 2016.

MY15/16 oilseed trade forecast impacted by domestic rapeseed production data

As previously reported, according to industry insiders, China's domestic rapeseed production seems to have been overestimated since MY11/12, and in particular during MY12/13 to MY14/15. As indicated above, beginning in MY11/12 when the government offered higher floor prices, the combined purchased volume by the state and the industry averaged 6 million tons per year during the first three years. Then in MY14/15 the purchased volume went down to 3.5 million tons. Industry analysts argue that although some farmers continue to reserve rapeseed for home use, most of the rapeseed production should have been sold to the state given the fact that the government was offering a much higher price.

The likely over estimation of the domestic rapeseed production impacts the reliability of China's balance sheet for oilseeds, meals and oils from MY11/12 to MY14/15 and consequently the estimate for MY15/16. China's strong imports of rapeseed and rapeseed oil signal a shortage in domestic supply. Moreover, China's rapid growth in soybean imports, which may not be fully justified by the growth in feed production and animal products, could in fact be partly making up for a shortage in rapeseed supply. The large difference between official and industry estimate for MY15/16 rapeseed production (estimated 5 million tons lower than the official data) will continue to impact oilseed trade forecast in MY15/16.

DDGS imports are likely to fall in MY15/16

China's feed mills are taking advantage of low foreign prices to increase imports of many corn substitutes including DDGS, replacing expensive domestic grains. DDGS has also been used to substitute part of soybean meal in feed production. DDGS imports remained strong with total volume at 5.6 million tons in MY14/15.

Recently, China's industry sources disclosed that there are rumors that China Ministry of Commerce accepted the application of anti-dumping case investigation on US DDGS products in September 2015. When China announced anti-dumping investigation to US DDGS at end of 2010, the China DDGS imports declined about 15 percent in 2011 due to potential imposition of punitive tariffs. If the rumor turns out to be true, the U.S. DDGS industry might suffer export declining in MY15/16.

MY15/16 rapeseed imports forecast down to 3.7 million tons

MY15/16 rapeseed imports are forecast to fall to 3.7 million tons from the 4.59 million tons in MY14/15. Adequate soybean imports at more competitive prices coupled with an anticipated fall of global rapeseed supply by about 5 million tons are expected to reduce China's rapeseed imports. However, a smaller-than-reported domestic rapeseed production and the excessive crushing capacity are likely to encourage MY15/16 rapeseed imports at relatively high level.

MY15/16 peanut imports forecast at 120,000 tons

Although China's peanut production is expected to grow slightly to 16.7 million tons, China's buyers are expected to take advantage of zero import duty for peanut imports from ASEAN and west African countries to import shell peanuts mainly for crushing. Total imports remain limited as compared to China's large peanut consumption.

MY15/16 vegetable oil imports expected to fall slightly

Forecast MY15/16 vegetable oil consumption is up by 1.5 percent or 491,000 tons over the previous year. Given a continuing strong imports of soybeans generating sufficient soybean oil, MY15/16 soybean oil and rapeseed oil imports are forecast to down slightly to 700,000 tons, respectively, from the previous year, but significantly lower than MY13/14. Given the palm oil price declines, forecast MY15/16 palm oil imports remain unchanged at 5.7 million tons, although weak soybean oil price challenges growth of food use of palm oil in China's market. Other vegetable oils either domestic production such as camellia oil and corn oil or imports including sesame oil, sunflower oil and olive oil combined also has taken market share of China's vegetable oil consumption growth. China's consumer's increasing health awareness appears to impact the consumption growth of vegetable oil as well.

Oilseeds PSD Tables

Table 1. Soybeans

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oilseed, Soybean (1000 tons; 1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Area Planted	7700	6850	7700	6600	6400	6100
Area Harvested	6850	6850	6800	6600	6400	6100
Beginning Stocks	12378	12378	14427	14427	17552	17884
Production	12200	12200	12350	12000	11500	11000
MY Imports	70364	70364	77000	78350	79000	79000
MY Imp. from U.S.	27041	27041	30000	29697	28500	30000
MY Imp. from EU	0	0	0	0	0	0
Total Supply	94942	94942	103777	104777	108052	107884
MY Exports	215	215	175	143	200	150
MY Exp. to EU	10	10	10	10	10	10
Crush	68850	68850	74200	74000	79500	79000
Food Use Dom. Cons.	9650	9650	10000	10250	10350	10350
Feed Waste Dom. Cons.	1800	1800	1850	2500	1850	2800
Total Dom. Cons.	80300	80300	86050	86750	91700	92150
Ending Stocks	14427	14427	17552	17884	16152	15584
Total Distribution	94942	94942	103777	104777	108052	107884
CY Imports	71399	71399	75500	76000	79500	79000
CY Imp. from U.S.	30028	30028	28000	30000	29000	30000
CY Exports	207	207	250	160	250	160
CY Exp. to U.S.	71	71	70	50	70	60

Table 2. Rapeseed

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oilseed, Rapeseed (1000 tons;1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Area Planted	0	7531	0	7500	0	7400
Area Harvested	7531	7531	7500	7500	7400	7400
Beginning Stocks	632	632	1036	1036	1336	527
Production	14458	14458	14600	14400	14100	14100
MY Imports	5046	5046	4600	4591	3900	3600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	20136	20136	20236	20027	19336	18227
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	18500	18500	18300	18900	17750	17500
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	600	600	600	600	550	550
Total Dom. Cons.	19100	19100	18900	19500	18300	18050
Ending Stocks	1036	1036	1336	527	1036	177
Total Distribution	20136	20136	20236	20027	19336	18227
CY Imports	5081	5081	4100	3800	4000	3600
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0

Table 3. Peanuts

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oilseed, Peanuts (1000 tons;1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Area Planted	4650	4633	4850	4500	4600	4580
Area Harvested	4633	4633	4700	4500	4600	4580
Beginning Stocks	0	0	0	0	0	0
Production	16972	16972	16500	16500	16700	16700
MY Imports	50	50	125	162	125	120
MY Imp. from U.S.	0	7	0	21	0	8
MY Imp. from EU	0	0	0	0	0	0
Total Supply	17022	17022	16625	16662	16825	16820
MY Exports	565	565	510	503	530	450
MY Exp. to EU	200	200	200	200	200	190
Crush	8710	8710	8700	8530	8700	8670
Food Use Dom. Cons.	6585	6650	6620	6629	6745	6690
Feed Waste Dom. Cons.	1162	1097	795	1000	850	1010
Total Dom. Cons.	16457	16457	16115	16159	16295	16370
Ending Stocks	0	0	0	0	0	0
Total Distribution	17022	17022	16625	16662	16825	16820
CY Imports	50	50	50	160	50	120
CY Imp. from U.S.	0	15	0	17	0	9
CY Exports	549	549	475	500	530	420
CY Exp. to U.S.	0	0	0	0	0	0

Table 4. Meal, Soybeans

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Soybeans (1000 tons;1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Crush	68850	68850	74200	74000	79500	79000
Extr. Rate, 999.9999	0.792	0.792	0.792	0.7916	0.7919	0.7916
Beginning Stocks	0	0	0	0	0	0
Production	54531	54531	58770	58578	62960	62536
MY Imports	20	20	60	57	20	20
MY Imp. from U.S.	1	1	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	54551	54551	58830	58635	62980	62556
MY Exports	2017	1993	1700	1577	1600	1800
MY Exp. to EU	100	100	60	45	20	45
Industrial Dom. Cons.	960	960	980	1000	1000	1050
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	51574	51598	56150	56058	60380	59000
Total Dom. Cons.	52534	52558	57130	57058	61380	60050
Ending Stocks	0	0	0	0	0	706
Total Distribution	54551	54551	58830	58635	62980	62556
CY Imports	20	23	50	60	50	20
CY Imp. from U.S.	2	2	0	0	0	0
CY Exports	2000	2092	1700	1700	1800	1900
CY Exp. to U.S.	20	36	20	30	20	30

Table 5. Oil, Soybeans

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Soybeans (1000 tons;1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Crush	68850	68850	74200	74000	79500	79000
Extr. Rate, 999.9999	0.1792	0.1792	0.179	0.1787	0.179	0.1787
Beginning Stocks	1021	1021	958	958	845	548
Production	12335	12335	13280	13224	14230	14117
MY Imports	1353	1353	900	773	950	700
MY Imp. from U.S.	186	186	150	0	125	5
MY Imp. from EU	0	0	0	0	0	0
Total Supply	14709	14709	15138	14955	16025	15365
MY Exports	94	94	100	107	80	100
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	13657	13657	14193	14300	15237	14700
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	13657	13657	14193	14300	15237	14700
Ending Stocks	958	958	845	548	708	565
Total Distribution	14709	14709	15138	14955	16025	15365
CY Imports	1135	1135	1000	750	1000	700
CY Imp. from U.S.	186	186	150	0	125	5
CY Exports	100	90	80	100	80	95
CY Exp. to U.S.	0	0	0	0	0	0

Table 6 Oil, Rapeseed

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Rapeseed (1000 tons;1000 Ha)					
	2013/14		2014/15		2015/16	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2013		10/2014		10/2015
Crush	18500	18500	18300	18900	17750	17500
Extr. Rate, 999.9999	0.3556	0.356	0.3552	0.356	0.3549	0.356
Beginning Stocks	2157	2157	2882	2539	2872	2393
Production	6579	6586	6500	6728	6300	6230
MY Imports	902	902	750	732	800	700
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	9638	9645	10132	9999	9972	9323
MY Exports	6	6	10	6	10	10
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	6750	7100	7250	7600	7500	7750
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	6750	7100	7250	7600	7500	7750
Ending Stocks	2882	2539	2872	2393	2462	1563
Total Distribution	9638	9645	10132	9999	9972	9323
CY Imports	810	810	900	800	900	800
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	6	6	0	9	0	8
CY Exp. to U.S.	0	0	0	0	0	0

Table 7 Oil, Palm

PSD Table

Country	China, Peoples Republic of					
Commodity	Oil, Palm (1000 tons)					
	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct-13		Oct-14		May-15	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Trees	0	0	0	0	0	0
Beginning Stocks	439	439	341	261	310	307
Production	0	0	0	0	0	0
MY Imports	5573	5573	5550	5696	5750	5700
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	6012	6012	5891	5957	6060	6007
MY Exports	2	2	1	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	2100	2150	1950	2250	2000	2250
Food Use Dom. Cons.	3569	3599	3630	3400	3750	3500
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	5669	5749	5580	5650	5750	5750
Ending Stocks	341	261	310	307	310	257
Total Distribution	6012	6012	5891	5957	6060	6007
CY Imports	6400	0	6700	5600	6700	5700
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	1	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0