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China - Peoples Republic of

Oilseeds and Products Update

MY14/15 China Soybean Imports Remain Strong

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Report Highlights:
Driven by growing demand for animal products, China's soybean imports are estimated to hit a record 74 million tons in MY14/15, and continue to surge to a forecast 77.5 million tons in MY15/16 (unchanged from previous report). Post's July forecast for MY15/16 total domestic oilseed production is 3.26 million tons lower than the estimated 57 million tons in MY14/15. Lower domestic production together with growing demand for protein meal and vegetable oil continue to encourage strong imports of oilseeds in MY15/16. Vegetable oil imports stabilize in response to the increase in oilseed imports.

Executive Summary:

Driven by growing demand for animal products, China's soybean imports are estimated to hit a record 74 million tons in MY14/15, and continue to surge to a forecast 77.5 million tons in MY15/16 (unchanged from previous report). Post's July forecast for MY15/16 total domestic oilseed production is 3.26 million tons lower than the estimated 57 million tons in MY14/15. Lower domestic production together with growing demand for protein meal and vegetable oil continue to encourage strong imports of oilseeds in MY15/16. Vegetable oil imports stabilize in response to the increase in oilseed imports.

Domestic oilseed production unlikely to increase

Soybeans: Post forecast for MY15/16 soybean production of 11 million tons remains unchanged. Domestic soybean production continues to fall as a result of lower per unit profits compared with grain crops. In a meeting held at the end of June, China's Minister of Agriculture stated that in 2016 it will be necessary to moderately reduce the corn area in the four northeast provinces. Specifically he highlighted the need to substitute corn with drought resistance crops such as pulses and coarse cereals in high latitude and dry regions. Other plans include adding ensilage corn to combine animal production with crops production; planting fruit trees and forage in regions impacted by erosion; and improving crop rotation by encouraging corn+ soybean rotation pattern. However, no specific support policy/or measures were announced to adjust corn area in the northeast provinces in 2016. The lack of details in how this crop adjustment proposal would be executed indicates it will have a limited impact in boosting soybean area in 2016. Other factors depressing soybean production is the implementation of the target-price based subsidy that went into effect in MY14/15. Industry sources reported that in MY14/15, the average selling price ranged only from RMB 4,500 to 4,600/ton ($726 to $740/ton). The MY14/15 average selling price, including an average subsidy of RMB500/ton ($80/ton) was lower than the "floor price" given under the MY13/14 support policies of RMB4,800/ton ($774/ton).

Rapeseed: China's National Statistics Bureau (NSB) estimated MY15/16 domestic summer harvested rapeseed production at 13.88 million tons, up 1.2 percent over the previous year. Total production is thus likely to reach 14.9 million tons if the autumn harvested production is included. However, the marketing of the MY15/16 crop appeared to be very slow as traders/farmers determined when to do business. China's National Grain and Oils Information Center (CNGOIC) data showed that as of July 10, total purchased volume by major enterprises in the 9 rapeseed-producing provinces were merely 620,000 tons. This volume is significantly lower than the 1.56 million tons in the previous year. Industry sources indicated that in MY15/16, the subsidies to rapeseed farmers in Anhui and Hubei averaged RMB705/Ha ($114/Ha). Based on yields of 2,250Kg/Ha (converted subsidy rate at RMB320/ton) and the current market price of RMB3,400/ton, rapeseed farmer's gross income per ton is RMB3,720/ton ($600/ton), significantly down from the floor price of RMB5,100/ton ($823/ton) enforced during the previous year.

Despite NSB's high production estimate, most industry sources believe the MY15/16 production remains as low as in the previous years. Given the reduced income for farmers and current market trends, many expect China's rapeseed area to decline further in 2016.

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 government's policy change.

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.

MY14/15 soybean imports likely to hit record 74 million tons

MY14/15 soybean imports continue to be strong despite a slight fall in feed production during the first months of 2015. Soybeans imports hit a record 8.09 million tons increasing total soybean imports in the first 9 months of MY14/15 to 53.8 million tons, up 2 million tons from the previous year. Imports in the last quarter are likely to exceed 20 million tons signaling that total imports for MY14/15 could reach 74 million tons.

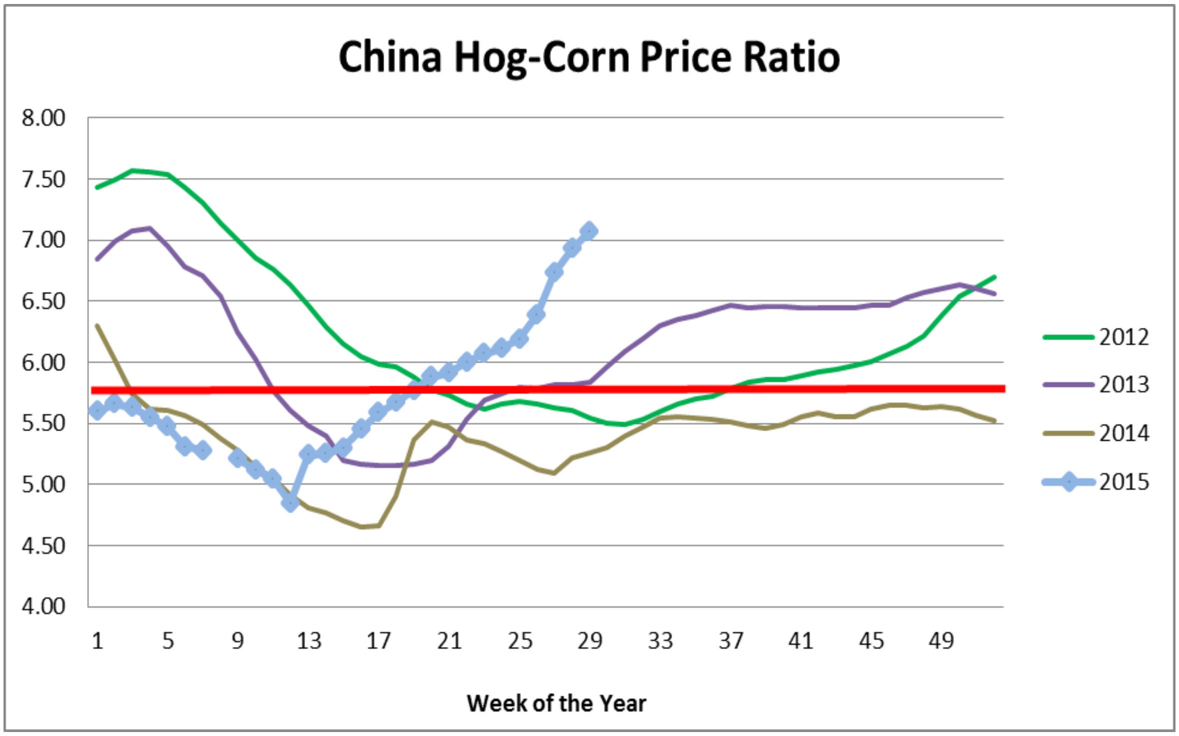
Feed production in the first half of 2015 declined 1.7 percent over the same period of 2014 mainly due to reduced inventory of swine as a result of negative profits for swine farming since 2013. Poultry feed production also experienced a slight fall in the first half of 2015. Other feed production appears to increase but specific data and growth rate are not yet available. As reported by NSB, total meat production dropped by 2.4 percent over the previous year to 39.06 million tons, of which pork production slipped by 4.9 percent to 25.74 million tons.

MOA Jan-June 2015 Feed Production

	Total Feed Production	---Swine Feed	---Layer Feed	--Broiler Feed	--Other Feed
Million tons	87.3	36	13.5	23	14.8*
Change over previous year	-1.7%	-7.1%	-3.4%	-1.05%	NA

Note: Estimated based on survey on 180 large feed mills; *Other feed volume calculated based on MOA total, mainly refer to aquatic compound feed; concentrate for ruminants and concentrate supplementary feed.

However, since the end of March 2015, hog prices have been on a growing trend. As shown in the flowing chart, MOA data indicated the "hog to corn price ratio" exceeded the breakeven point since June 2015. ChinaJCI Consulting data indicated this ratio reached 7.29:1 during the 30th week (July 18-24), and the average profit surged to RMB400 to RMB800/head. Increasing hog prices are expected to boost swine inventory demanding more feed in the second half of 2015. Protein meal demand continues to be driven by growing animal producing capacity, scale animal farming and use of industry feed. Increasing use of soybeans (extruded) as feed ingredient, and for food processing are both driving soybean imports. Current low soybean meal prices coupled with an anticipated delay in the domestic rapeseed meal supply both support a recovery in the use of soybean meal in the second half of 2015. It is worth noting that China continues to produce concentrate supplementary feed and feed pre-mixed with feed additives which need to add protein meals before consumption.



Long term soybean imports remains bright

China's economic growth is expected to slow in 2015. Based on NSB, GDP growth was 7 percent in the first half of 2015, compared to the 7.4 percent growth rate in 2014. However, the net GDP growth value per year remains vast even based on a lower GDP growth rate. A sustainable mid-level GDP growth rate with a focus on deepening reform and boosting innovation will be the priorities for the government in the coming years.

China's industry leaders expect demand for livestock products to continue growing in the coming years but at a lower rate than in previous years. Specifically, in the next 10 years the consumption growth rate is forecast at 3.3 percent per year for pork, 1.3 percent for poultry meat, 0.7 percent for eggs, 2 percent for beef and 2.4 percent for mutton. This constant growth in livestock products will fuel a stable demand of protein ingredients which will rely on imports of soybeans.

Imports of animal products

Although China's animal production sector faces many challenges such as environmental pressure and shortage of feed ingredients, China's industry leaders insist that domestic animal production is critical for the welfare of the Chinese consumers. Leaders further indicate that excess imports can seriously impact domestic production. Imports of animal products, they recommend, should be managed and take place when some domestic products are in short supply.

Vegetable oil imports expected to fall

Global vegetable oil prices increasingly fluctuate along with crude oil prices. Low crude oil prices reducing none mandatory use of biodiesel in many countries has resulted in an excessive supply of vegetable oil and bearish prices in recent years. In addition, increased planted area for oilseed crops, particularly palm trees, is expected to further add to the vegetable oil supply in the coming years.

China's vegetable oil demand is increasingly met by the large domestic crushing sector favoring imports of oilseeds. Imports of vegetable oils, especially soy oil and rapeseed oil, are expected to shrink or remain stable to make up shortages in the domestic market. Favorable lower prices for soy oil and rapeseed oil have taken some market share away from palm oil. Industry sources reported less palm oil use in blended cooking oil since 2014.

China's total vegetable oil consumption remains growing, with net growth estimated at about 600,000 tons per year. However, MY14/15 imports of major vegetable oils are estimated to fall with soybean oil imports plummeting to 500,000 tons from the 1.35 million tons, rapeseed oil imports down to 600,000 tons from the 902,000 tons in MY13/14. Palm oil imports are expected to fall to 5.3 million tons in MY14/15 from the 5.57 million tons in MY13/14. Nonetheless, total vegetable oil imports are forecast to recover to 7.88 million tons in MY15/16 from the estimated 7.12 million tons in MY14/15. This will still be a lower volume of imports compared to the 8.57 million tons in MY13/14.

Note: Exchange rate: $1=RMB6.2

Statistics Tables

Total Oilseeds, Total Meal, and Total Oil PSD Tables

Table 1. Total Oilseeds

PSD Table						
Country	China, Peoples Republic of					
Commodity	Total Oilseeds (1000 tons; 1000Ha)					
	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		7/2015
Area Planted	25,604	24,737	25,370	23,845	23,070	22,475
Area Harvested	24,737	24,737	24,320	23,845	23,070	22,475
Beginning Stocks	13,166	13,166	15,562	15,562	15,273	15,093
Production	58,888	58,888	57,557	57,007	55,380	53,740
MY Imports	75,602	75,570	77,725	77,300	81,250	82,250
MY Imp. from U.S.	27,041	27,049	30,000	28,000	28,500	29,000
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	147,656	147,624	150,844	149,869	141,273	151,083
MY Exports	953	911	850	890	11,570	840
MY Exp. to the EC	226	230	230	230	228	228
Crush Dom. Cons.	107,633	107,634	111,679	110,416	104,580	112,990
Food Use Dom. Cons.	17,135	17,210	17,520	17,770	26,820	17,880
Feed,Seed,Waste Dom.Cons.	6,373	6,307	5,522	5,700	3,310	5,310
TOTAL Dom. Consumption	131,141	131,151	134,721	133,886	127,540	136,180
Ending Stocks	15,562	15,562	15,273	15,093	25,153	14,063
TOTAL DISTRIBUTION	147,656	147,624	150,844	149,869	141,273	151,083
Calendar Year Imports	76,666	76,648	79,425	77,180	94,230	81,625
Calendar Year Imp. U.S.	29,505	30,044	28,005	27,501	29,050	29,501
Calendar Year Exports	931	1,025	955	1,070	940	1,040
Calendar Year Exp. to U.S.	74	91	73	60	70	60

Table 2. Total Meals

PSD Table	
Country	China, Peoples Republic of
Commodity	Total Meal (1000 tons)

	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		7/2015
Crush	108,833	108,834	112,879	111,966	114,680	114,190
Extr. Rate, 999.9999					3	
Beginning Stocks	0	0	0	0	0	0
Production	75,200	75,030	78,725	77,840	80,533	80,226
MY Imports	1,433	1,428	1,080	1,212	1,205	1,202
MY Imp. from U.S.	99	88	70	90	90	95
MY Imp. from the EC	5	0	5	0	5	0
TOTAL SUPPLY	76,633	76,458	79,805	79,052	81,738	81,428
MY Exports	2,091	2,065	2,071	2,083	1,651	2,263
MY Exp. to the EC	100	100	50	45	50	45
Industrial Dom. Cons.	1,614	1,636	1,632	1,652	1,652	1,702
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	72,928	72,758	76,102	75,318	78,435	77,462
TOTAL Dom. Consumption	74,542	74,394	77,734	76,970	80,087	79,164
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	76,633	76,459	79,805	79,053	81,738	81,427
Calendar Year Imports	1,362	1,359	1,110	1,215	1,210	1,207
Calendar Year Imp. U.S.	100	99	70	90	90	95
Calendar Year Exports	2,115	2,143	1,761	1,978	1,871	2,188
Calendar Year Exp. to U.S.	20	36	20	38	20	38

Table 3. Total Oils

PSD Table	
Country	**China, Peoples Republic of**
Commodity	**Total Oils (1000 tons)**

	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		7/2015
Crush	107,633	107,634	111,679	111,816	113,480	113,090
Extr. Rate, 999.9999					1	
Beginning Stocks	3,617	3,062	3,826	3,497	3,083	2,401
Production	23,607	23,587	24,281	24,261	24,525	24,555
MY Imports	8,573	8,573	7,800	7,120	2,845	7,881
MY Imp. from U.S.	186	186	150	150	5,875	120
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	35,797	35,777	35,907	35,139	30,453	34,848
MY Exports	116	116	136	82	6,015	85
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Cons.	2,150	2,150	1,900	2,250	0	2,270
Food Use Dom. Cons.	29,705	29,753	30,628	30,395	29,852	30,923
Feed Waste Dom. Cons.	0	0	0	0	3,750	0
TOTAL Dom. Consumption	18,198	31,903	18,245	32,645	12,823	33,193
Ending Stocks	16,525	3,758	16,726	2,412	22,475	1,571
TOTAL DISTRIBUTION	22,046	35,777	21,524	35,139	15,504	34,849
Calendar Year Imports	22,608	7,961	23,481	7,870	23,364	8,280
Calendar Year Imp. U.S.	1,135	186	1,000	95	7,700	100
Calendar Year Exports	210	105	167	78	140	88
Calendar Year Exp. to U.S.	100	0	80	0	80	0

Oilseeds PSD Tables

Table 4. 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		7/2015
Area Planted	7,700	6,850	7,700	6,600	6,400	6,100
Area Harvested	6,850	6,850	6,800	6,600	6,400	6,100
Beginning Stocks	12,378	12,378	14,427	14,427	14,377	14,077
Production	12,200	12,200	12,350	12,000	11,500	11,000
MY Imports	70,364	70,364	73,500	74,000	77,500	77,500
MY Imp. from U.S.	27,041	27,040	30,000	28,000	28,500	29,000
MY Imp. from EU	0	0	0	0	0	0
Total Supply	94,942	94,942	100,277	100,427	103,377	102,577
MY Exports	215	215	200	300	250	280
MY Exp. to EU	10	10	10	10	10	10
Crush	68,850	68,850	73,850	74,000	77,100	77,000
Food Use Dom. Cons.	9,650	9,650	10,000	10,250	10,350	10,350
Feed Waste Dom. Cons.	1,800	1,800	1,850	1,800	1,800	1,800
Total Dom. Cons.	80,300	80,300	85,700	86,050	89,250	89,150
Ending Stocks	14,427	14,427	14,377	14,077	13,877	13,147
Total Distribution	94,942	94,942	100,277	100,427	103,377	102,577
CY Imports	71,399	71,401	75,500	73,000	79,500	77,000
CY Imp. from U.S.	30,028	30,028	28,000	27,500	29,000	29,500
CY Exports	207	300	250	280	250	280
CY Exp. to U.S.	71	80	70	60	70	60

Table 5. 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		7/2015
Area Planted	7,531	7,531	7,500	7,500	7,400	7,400
Area Harvested	7,531	7,531	7,500	7,500	7,400	7,400
Beginning Stocks	632	632	1,036	1,036	836	936
Production	14,458	14,458	14,600	14,400	14,200	14,100
MY Imports	5,046	5,046	4,100	4,500	3,600	4,600
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	20,136	20,136	19,736	19,936	18,636	19,636
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	18,500	18,500	18,300	18,400	17,500	18,250
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	600	600	600	600	550	550
Total Dom. Cons.	19,100	19,100	18,900	19,000	18,050	18,800
Ending Stocks	1,036	1,036	836	936	586	836
Total Distribution	20,136	20,136	19,736	19,936	18,636	19,636
CY Imports	5,081	5,081	3,800	4,000	4,000	4,400
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