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China - Peoples Republic of

Oilseeds and Products Update

MY15/16 China soybean imports hit 78 million tons

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Report Highlights:

In addition to growing demand for oilseed products, the low price of soybeans is expected to push China's soybean imports to a record 76 million tons in MY14/15, up from the 70.4 million tons in the previous year. This high net growth is unlikely to continue but imports are expected to rise to a forecast 78 million tons in MY15/16. Post's August 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. Meanwhile, MY14/15 imports of vegetable oil declined in response to the increase in oilseed imports.

Executive Summary:

In addition to growing demand for oilseed products, lower soybean prices are expected to push China's soybean imports to a record 76 million tons in MY14/15, up from the 70.4 million tons in the previous year. This high net growth is unlikely to continue but imports are expected to rise to a forecast 78 million tons in MY15/16. Post's August 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 support strong imports of oilseeds. MY14/15 imports of vegetable oil declined in response to the increase in oilseed imports. In addition, effective on September 1, 2015, imports of corn and substitutes will be subject to an Automatic Import License system which could slow trade in these commodities in the short-term. Less DDGS imports could drive the use of more soybean meal in feed.

China's oilseed production unlikely to increase

Soybeans: Post forecast for MY15/16 soybean production of 11 million tons remains unchanged. China's domestic soybean production continues to fall as a result of lower per unit profits compared with grain crops. According to China's National Grain and Oils Information Center's (CNGOIC) August report, MY15/16 soybean planted area was 6.1 million hectares (MHa), down 700,000 Ha from the previous year. Heilongjiang Province has seen the highest fall in planted area among all provinces, down 18.5 percent or 480,000 Ha over the previous year. CNGOIC thus estimated MY15/16 soybean production is estimated at 11 million tons, down by 1.15 million tons over MY14/15 (of which 900,000 tons are from Heilongjiang).

As reported in July, China's Ministry of Agriculture (MOA) called for adjustment on crop mix in the Northeast provinces in 2016. However, the lack of details in how this crop adjustment proposal would be executed indicates it will have a limited impact in boosting soybean planted 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 the MY14/15 average selling price, including an average subsidy of RMB500/ton (\$80/ton) was lower than the "floor price" of RMB4,800/ton (\$774/ton) given under the MY13/14 support policies.

Rapeseed: CNGOIC data shows that as of August 15, total purchased volume by major enterprises in the 9 rapeseed-producing provinces were merely 1.22 million tons. This volume is dramatically lower than the 3.11 million tons in the previous year. This market information differs from China's National Statistics Bureau (NSB) estimate for MY15/16 domestic summer harvested rapeseed production of 13.88 million tons.

In addition, CNGOIC reported more details on the subsidy policy by province with RMB 450/Ha (\$75) in Jiangsu and Hubei provinces. This subsidy amount is lower than previously reported. Anhui and Sichuan provinces also released subsidy policy details. However, it remains difficult to quantify the actual per area subsidy amount. 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.

Despite the NSB's high production estimate, most industry sources believe that the MY15/16

production remains as low as in the previous years. Given lower farmer income 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 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.

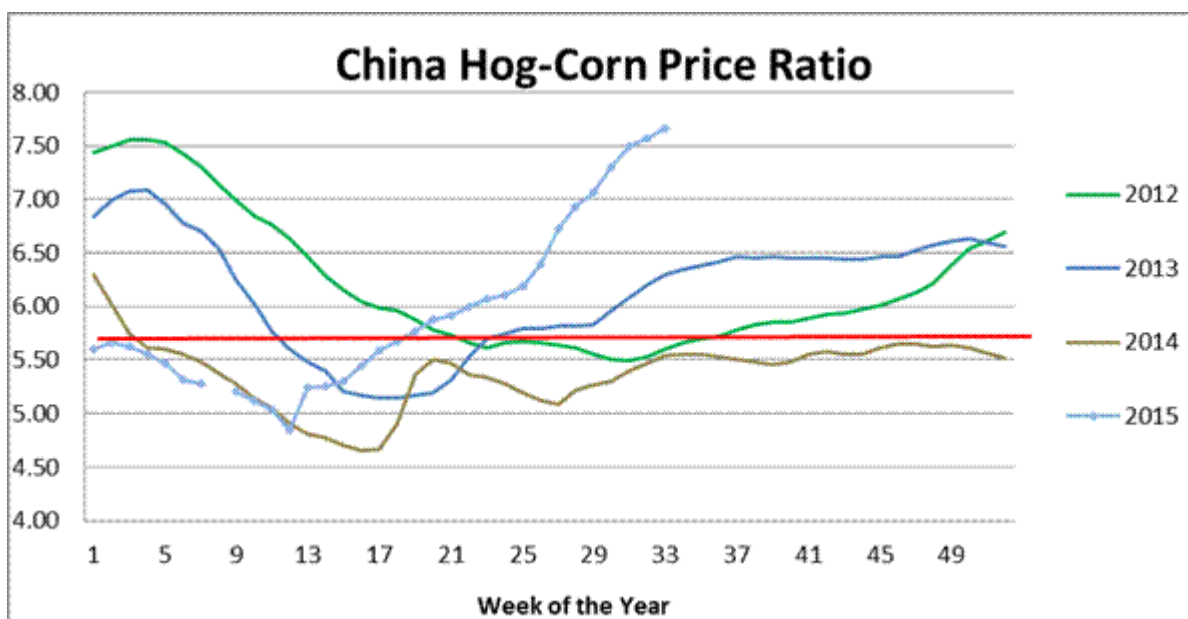
MY14/15 soybean imports likely to hit record of 76 million tons

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 9.5 million tons in July increasing total soybean imports in the first 10 months of MY14/15 to 63.3 million tons, up 6.8 percent from the previous year. Based on industry estimates, imports in the last two months are likely to exceed 13 million tons. This signals that total imports for MY14/15 could reach 76 million tons. Most industry insiders are doubtful the average yearly net growth of 8 million tons in soybean imports during MY13/14 to MY14/15 reflects the actual demand growth. The excessive soybean imports are expected to add carry-in stocks which will likely limit the net import growth in MY15/16.

Although high soybeans imports are supported by a growing domestic demand for soybean products and the large domestic crushing capacity, the current weak global soybean price encourages Chinese importers to buy more. As reported by industry sources, during July 2015 the price after duty for imported soybeans stood between RMB3,100 to 3,200/ton (or \$500 - \$516). This is about \$200/ton lower than the domestically produced soybeans. The crushing sector also reported reasonable crushing profit in recent months. China's lower supply of other meals including rapeseed meal and cottonseed meal together with high corn prices encourages feed mills to use more soybean meal. China continues to produce concentrate supplementary feed and feed pre-mixed with feed additives which require the addition of protein meals before consumption. Increase use of whole soybeans as a feed ingredient, and imported soybeans for food processing also drives imports high. Recently, China's regulatory agency intensified supervision of use of imported soybeans which is likely to reduce the use of imported soybeans for food processing. China's policy specifies that imported GMO soybeans should strictly be crushed or used as feed ingredient.

The "hog to corn price ratio" maintains

Feed demand is expected to recover in the coming months. As shown in the flowing chart, MOA data indicated the "hog to corn price ratio" exceeded the breakeven point since June 2015 and has continued growing until the 33rd week. Based on ChinaJCI Consulting's data, although hog prices remain somewhat stable, due to low corn price, the ratio reached 7.62:1 in the 34th week (Aug 15-21) up from the 7.29:1 during the 30th week (July 18-24). Increasing hog prices are expected to boost swine inventory demanding more feed in the second half of 2015. Egg prices also increased since mid-August contributing to the highest profit for farmers in 2015.



MY14/15 rapeseed imports unchanged at 4.5 million tons

MY14/15 rapeseed imports remain unchanged at 4.5 million tons, same level as the previous report.

Given a smaller-than-reported domestic rapeseed production marketed at a low price, MY15/16 rapeseed imports could be higher than the forecast of 4.6 million tons, if rapeseed crops from major rapeseed suppliers, like Canada, do not fall significantly.

Imports of corn and substitutes subject to “automatic import license”

According to a joint notice by the Ministry of Commerce (MOC) and the State Administration of Customs Public Notice [2015] No.34, barley, cassava, distillers’ grains (DDGS), and sorghum will be included into the “Catalogue of Goods Subject to Automatic Import License Administration”(AIL), starting from September 1, 2015.

Catalogue of Goods Subject to Automatic Import License Administration

Commodity	HS Code	Note	Unit
Barley	10031000	Seed	kg
	10039000	Other	kg
Sorghum	10071000	Seed	Kg
	10079000	Other	Kg
Cassava	07141010	Fresh	Kg
	07141020	Dried	Kg
	07141030	Chilled or frozen	Kg
DDGs	2303300010	-	kg

According to MOC, currently, imports of soybeans, rapeseed, vegetable oils and soybean meal are

subject to AIL. As of this report, Post has not heard any complaints related to the AIL procedures for imports of these commodities. However, China's surged imports of corn and its substitutes in recent months, particularly in July, with record import volume triggered debate among all stakeholders on the purpose for the implementation of AIL to these commodities. Imports of these commodities could be somehow impacted or slowed in the short-term due to this policy uncertainty. DDGS is used to substitute part of soybean meal in feed production in China.

China's feed mills are taking advantage of low foreign prices to increase imports, replacing expensive domestic grains. DDGS imports mainly from the United States were at a record 1.1 million tons, higher than the June record of 959,935 tons, and 67 percent higher than last July. Barley imports were 1.28 million tons, up 68 percent from the same period in 2014, mainly from France and Australia. In July, sorghum imports reached 1.1 million tons, up 183 percent from last year same period. Corn imports were 1.1 million tons in July, skyrocketing from the 86,000 tons in last July, of which 938,344 tons were from Ukraine.

Vegetable oil imports expected to fall

China's vegetable oil demand is increasingly met by the large domestic crushing sector favoring imports of oilseeds. Total vegetable oil consumption is still 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 700,000 tons from the 1.35 million tons in MY13/14. Similarly rapeseed oil imports are estimated down to 750,000 tons in MY14/15 from the 902,000 tons, and palm oil imports are expected to fall to 5.3 million tons in MY14/15 from 5.57 million tons in the previous year.

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	17202
Production	12200	12200	12350	12000	11500	11000
MY Imports	70364	70364	77000	76000	79000	78000
MY Imp. from U.S.	27041	27040	30000	30000	28500	30000
MY Imp. from EU	0	0	0	0	0	0
Total Supply	94942	94942	103777	102427	108052	106202
MY Exports	215	215	175	175	200	200
MY Exp. to EU	10	10	10	10	10	10
Crush	68850	68850	74200	73000	79500	77000
Food Use Dom. Cons.	9650	9650	10000	10250	10350	10350
Feed Waste Dom. Cons.	1800	1800	1850	1800	1850	1900
Total Dom. Cons.	80300	80300	86050	85050	91700	89250
Ending Stocks	14427	14427	17552	17202	16152	16752
Total Distribution	94942	94942	103777	102427	108052	106202
CY Imports	71399	71401	75500	76000	79500	78000
CY Imp. from U.S.	30028	30028	28000	30000	29000	30000
CY Exports	207	207	250	200	250	200
CY Exp. to U.S.	71	71	70	70	70	70

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	1236	1336
Production	14458	14458	14600	14400	14100	14100
MY Imports	5046	5046	4500	4500	3300	4600
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	20136	19936	18636	20036
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	18500	18500	18300	18000	17450	18000
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	18600	18000	18550
Ending Stocks	1036	1036	1236	1336	636	1486
Total Distribution	20136	20136	20136	19936	18636	20036
CY Imports	5081	5081	4100	4400	4000	4500
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	27	125	140	50	120
MY Imp. from U.S.	0	7	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	17022	16999	16625	16640	16750	16820
MY Exports	565	565	510	510	530	420
MY Exp. to EU	200	200	200	200	200	200
Crush	8710	8710	8700	8530	8700	8670
Food Use Dom. Cons.	6585	6660	6620	6620	6670	6680
Feed Waste Dom. Cons.	1162	1064	795	980	850	1050
Total Dom. Cons.	16457	16434	16115	16130	16220	16400
Ending Stocks	0	0	0	0	0	0
Total Distribution	17022	16999	16625	16640	16750	16820
CY Imports	50	30	50	120	50	110
CY Imp. from U.S.	0	15	0	0	0	0
CY Exports	549	549	475	475	530	400
CY Exp. to U.S.	0	0	0	0	0	0

Table 4. Soybean Oil

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	73000	79500	77000
Extr. Rate, 999.9999	0.1792	0.1792	0.179	0.1812	0.179	0.1787
Beginning Stocks	1021	1021	958	958	845	482
Production	12335	12335	13280	13224	14230	13760
MY Imports	1353	1353	900	700	950	750
MY Imp. from U.S.	186	186	150	1	125	5
MY Imp. from EU	0	0	0	0	0	0
Total Supply	14709	14709	15138	14882	16025	14992
MY Exports	94	94	100	100	80	60
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	14522
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	13657	13657	14193	14300	15237	14522
Ending Stocks	958	958	845	482	708	410
Total Distribution	14709	14709	15138	14882	16025	14992
CY Imports	1135	1135	1000	700	1000	800
CY Imp. from U.S.	186	186	150	1	125	5
CY Exports	100	90	80	80	80	60
CY Exp. to U.S.	0	0	0	0	0	0

Table 5. Rapeseed Oil

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	18000	17450	18000
Extr. Rate, 999.9999	0.3556	0.356	0.3552	0.3639	0.355	0.3609
Beginning Stocks	2157	2157	2607	2539	2283	2229
Production	6579	6586	6500	6550	6195	6497
MY Imports	902	902	750	750	800	750
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	9857	9839	9278	9476
MY Exports	6	6	10	10	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.	7025	7100	7564	7600	7700	7936
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	7025	7100	7564	7600	7700	7936
Ending Stocks	2607	2539	2283	2229	1568	1530
Total Distribution	9638	9645	9857	9839	9278	9476
CY Imports	810	810	900	750	900	760
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	6	6	0	9	0	10
CY Exp. to U.S.	0	0	0	0	0	0