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Report Name: Rice Prices and Domestic Demand Shape Trade Landscape

Country: China - People's Republic of

Post: Beijing

Report Category: Agricultural Situation, Agriculture in the Economy, Agriculture in the News, Grain and Feed

Prepared By: FAS China Staff

Approved By: Adam Branson

Report Highlights:

As international rice prices gained competitiveness over Chinese rice prices, significant import volumes have entered China since November 2020. Using current customs data, India is now China's top rice supplier, with broken rice accounting for 97 percent of China's imports from the supplier. As Chinese rice prices lost competitiveness, exports slowed down from momentum seen earlier during the years of 2017, 2018, and 2019. With high animal feed prices, Chinese rice has been substituted for corn over the last year which has also had a tightening effect on China's rice export capacity.

China's Rice Imports Soared since November 2020

China's previous historic high of rice imports were 3.99 million metric tons (MMT) in calendar year 2017. According to data from the General Administration of Customs of the People's Republic of China (GACC), from January through August 2021, China imported 3.2 MMT on a milled equivalent basis. Historically, rice imports ranged from 100,000 to 200,000 metric tons (MT) per month but have now ranged between 300,000 to 700,000 MT per month since November 2020.

At this pace, a major Chinese grain think tank estimates China will import 4.9 MMT of rice in Chinese marketing year (MY) 2020/21 and 4.2 MMT of rice in Chinese MY 2021/22. Another major agricultural consulting firm estimates China will import 5.0 MMT in Chinese MY 2020/21 and 4.6 MMT in Chinese MY 2021/22. The most recent FAS China forecast of China's rice trade is available in FAS GAIN Report [CH2021-0115 Grain Feed Update](#) and the latest official USDA forecast of China's rice trade is available in the [Grain: World Markets and Trade Report](#).

Note: China's rice marketing year runs from October to the following September while the U.S. rice marketing year runs from July to the following June.

Table 1. China: Rice Imports data from 2018-2021

Partner Country	Unit	Calendar Year(UOM1: T)			January-August		
		2018	2019	2020	2020	2021	%Δ 2021/20
World	T	3,037,008	2,503,285	2,910,870	1,498,259	3,178,475	112.14
Myanmar	T	77,368	545,729	910,661	417,588	586,645	40.48
Cambodia	T	162,845	224,893	232,787	143,635	185,029	28.82
India	T	100	987	3,878	124	730,781	589239.52
Japan	T	489	1,048	945	616	332	-46.1
South Korea	T	25	-	8	-	-	0
Laos	T	73,670	72,535	75,281	13,319	5,980	-55.1
Pakistan	T	342,346	603,609	474,814	184,148	643,744	249.58
Russia	T	1,826	591	269	125	120	-4
Taiwan	T	28,010	48,513	99,992	57,875	45,911	-20.67
Thailand	T	898,769	526,256	324,642	166,400	268,550	61.39
United States	T	4	-	20	-	10	0
Vietnam	T	1,451,552	479,108	787,538	514,395	711,372	38.29

Source: GACC

Import suppliers and types notable changed

GACC data shows India tops the supplier list and accounts for 45 percent of China's August monthly imports and 23 percent year-to-date total imports in calendar year 2021 through August. Data suggests and trade sources point out that the increased volume of imports rests on cheap prices for Indian-origin rice which averaged at U.S. \$345 per MT compared with world average prices of U.S. \$454 per MT. India was followed by Myanmar and Pakistan as the leading suppliers which had average prices of U.S. \$368 and U.S. \$433 per MT, respectively.

Milled rice used to account for the largest share of China's rice imports. Now, broken rice accounts for half of total rice imports. Ninety-seven percent of the rice imported from India to China and 46 percent of the rice imported from Myanmar to China was broken rice. Sources report that the imported rice was

used for mainly for animal feed as well as in rice-based liquor manufacturing or in snack food production.

Chinese traders shared that the broken rice prices were so good that they did not bother applying for a share of China’s tariff rate quota (TRQ) in rice which would be at 1 percent. Instead, they were able to take advantage of the Most-Favored Nation (MFN) tariff for out-of-quota rice which has a tariff of 10 percent. Too, importers reported that they could pay the conventional tariff rate for rice imported from ASEAN members (i.e., Myanmar as well as Vietnam, Thailand, the Philippines, Indonesia, Laos, Cambodia, Brunei, Singapore, and Malaysia) for which China has a Free Trade Agreement and the imported rice tariff is 5 percent.

Imported Rice Price Advantage over Domestic Rice

Industry members noted in conversations with FAS China staff that international rice prices have been declining since early 2021. They shared that as of mid-September 2021, Thailand’s 5-percent broken rate white rice was quoted at U.S. \$399 (RMB 2,594) per MT, down 30 percent from its highest price point this year. Also, they shared that Vietnamese 5-percent broken rate white rice was quoted at U.S. \$415 (RMB 2,698) per MT, down 20 percent from its highest price point this year. Finally, they shared that Pakistani 5-percent broken rate white rice was quoted at U.S. \$360 (RMB 2,340) per MT, down by 23 percent from its highest price point this year.

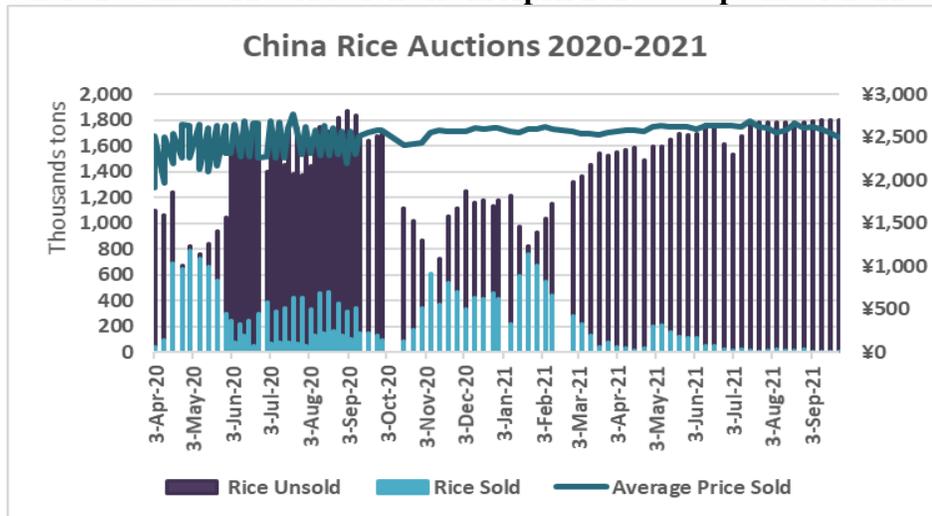
With these prices and strong imports into China throughout the year, the domestic rice price has reacted. The National Food and Strategic Resource Administration (NFSRA) data shows the Chinese domestic procurement prices at the farm level were lower at around U.S.\$413 (RMB 2,685) per MT in late September 2021. In addition, data shows that the domestic rice auction prices have been declining throughout 2021 and are at U.S.\$385 (RMB2,504) per MT in late September.

Chart 1. China: Rice Prices from September 2020 to September 2021



Source: NFSRA

Chart 2. China: Rice Auctions from April 2020 to September 2021



Source: China Grain Trade Center

Industry sources estimate that China still has 115 to 174 MMT of rice in stocks. And though China is importing strong volumes of rice, the country should see a strong rice harvest this year and that supplies remain adequate.

China's rice TRQ is maintained on an annual basis. FAS China does envision China's rice imports exceeding the total TRQ amount of 5.32 MMT for calendar year 2021 or 2022 though it seems some importers are bringing rice into China outside of the TRQ import tariff. FAS China forecasts MY2021/22 rice imports will keep the same momentum witnessed in MY2020/21 where although domestic rice supplies were adequate for domestic consumption, the opportunity to substitute lower-priced rice for corn in feed rations was robust.

Export Pace Slowing Down

As mentioned previously, the pace of Chinese rice exports has slowed considerably from levels witnessed in calendar years 2017, 2018, and 2019. China's January to August 2021 rice exports totaled 1.7 MMT. This level of exports was up 0.6 percent compared with same period 2020 but down by 17.4 percent from same time 2019. China's rice exports to African countries dropped notably in the last several years as traders report that India took significant market share by offering more price-competitive rice.

Chinese rice prices seem to have lost their competitiveness in the global market as international rice prices dropped significantly in 2021. With the average unit price of China's rice exports also dropping by 17 percent year on year to U.S. \$354.8 per MT in August 2020 some export trade has continued. The potential for continued exports exists but with Chinese rice being substituted for corn in livestock feed, China's export capacity over the near term has diminished.

Attachments:

No Attachments.