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GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Grain and Feed Update

2017 Processing Payments End, Dryness in Liaoning Persists

Approved By:

Bruce Zanin

Prepared By:

Gene Kim

Report Highlights:

China's corn market is driven by a perfect storm of policy shifts, adverse weather conditions, and logistical bottlenecks. Current corn prices are rallying to their highest levels since October 2016. MY2017/18 corn production is forecast at 210.0 million tons, down 4 percent from MY2016/17. This is the first full crop year since the removal of the temporary reserve program for corn and implementation of "supply-side structural reforms" in 2016. China's Ministry of Agriculture (MOA) is promoting corn growers to switch to alternatives to corn for grain, such as soybeans, wheat, sweet corn, silage corn, millet, and forage. Meanwhile, the Agricultural Development Bank of China will loan MOA at least \$450 billion (RMB 3.0 trillion) over the next three years to develop China's agricultural sector. China is aiming to achieve results by 2020.

Post:
Beijing

Executive Summary:

China's National Meteorological Center (CNMC) reports that drought conditions persist across central and northern China, affecting up to 2.67 million hectares. Despite unseasonably warm and dry weather during April and May, soil moisture and irrigation water was adequate. Summer crop development is expected to return to normal as July monsoon rains move north from South West China. The major exception is western Liaoning and Jilin provinces, where dry weather is impacting production yield potential.

MY2017/18 wheat production is forecast at 130.0 million tons, unchanged from the USDA July estimate. Wheat originating from Jiangsu and Anhui provinces is of quality far better than MY2016/17 supplies. Estimated test weights average between 75 kg per hectoliter and 79 kg per hectoliter. Despite continued government support, common wheat production is sliding downward as government support payments lag behind relative prices for other crops. MY2017/18 wheat imports are forecast at 3.0 million tons, unchanged from the USDA July forecast and 1.0 million tons lower than MY2016/17 on expectations for sufficient quantity and quality of domestic supplies.

MY2017/18 corn production is forecast at 210.0 million tons, down 5.0 million tons from USDA July forecast, and down 4 percent from MY2016/17 on policy as well as weather-driven, declines in harvested area. Domestic spot prices bottomed at \$222 per ton (RMB 1,527) in March 2017 but have rallied to their highest levels in 10 months at \$250 per ton (\$1,697). Post forecasts local corn prices will continue to rise in the short-run due to policy- and weather-driven expectations for a smaller MY2017/18 crop. Forecast MY2017/18 corn imports are halved to 1.5 million tons from the July USDA estimate on abundant local supplies and expectations that logistical challenges moving grain from production to deficit markets will be resolved.

Forecast MY2017/18 corn consumption is at 238.0 million tons, unchanged from USDA's July forecast and up 6.0 million tons from MY2016/17 on higher feed and Food, Seed, and Industrial (FSI) use. MY2017/18 feed and residual use is forecast higher at 166 million tons, unchanged from USDA's July estimate and up 4.0 million tons from MY2016/17, on competitively priced domestic supplies and higher demand. MY2017/18 FSI consumption is forecast higher at 72.0 million tons, unchanged from USDA July estimate and up 2.0 million tons from MY2016/17 on continued expansion of corn processing for starch, ethanol, and other corn products.

Forecast MY2017/18 milled rice production is at 144.8 million tons, down 200,000 tons from USDA July estimates. Despite steady rains in June and torrential monsoon rains in July, rainfall deficits remain across South China. Forecast MY2017/18 consumption is at 143.0 million tons unchanged from the USDA July estimates and 500,000 tons lower than MY2016/17 on stable consumption patterns and a continued downward trend in per-capita consumption. Forecast MY2017/18 rice imports are at 5.0 million tons, unchanged from USDA July estimates and down 150,000 tons from MY2016/17 estimates. Forecast MY2017/18 rice exports are at 800,000 tons, unchanged from USDA July estimates on policy-driven exports to Africa.

Policy

13th Five Year Plan Implementation Area Expands

The Ministry of Agriculture (MOA) announced that in 2017 national grain production support payments will expand to cover an area of 6.7 million hectares – an area equivalent to 10 percent of the State Council’s target to reserve 66.6 million hectares (100 million mu) of contiguous high-quality arable land by 2020.

MOA’s commitment follows several years of expanded domestic support for agriculture. In 2015, China’s central subsidy program included 10 provinces and 30 counties, receiving a total of \$43.5 million (RMB 300 million). In 2016, the number of provinces expanded to 17 and included 121 counties, receiving \$145 million (RMB 1.0 billion).

Minimum Support Programs for Rice and Wheat March On

In late March 2016, the government announced that it was ending the corn temporary reserve program. MY2017/18 is the first full crop year since the removal of the temporary price reserve program for corn and implementation of “supply side structural reforms.” To date, official statements about the conclusion of the corn temporary reserve program and “supply side” reforms are positive.

In May 2017, State Administration of Grain began procurement of MY2017/18 wheat and rice at minimum prices under its national reserve program. Policy experts report that wheat and rice will also be subject to “supply side structural reforms” in the future.

Government Procurement Prices

	2010	2011	2012	2013	2014	2015	2016	2017	Purchase Period
Unmilled Rice									
Early Indica	1,860	2,040	2,400	2,640	2,700	2,700	2,660	2,600	July-Sept
Japonica	2,100	2,560	2,800	3,000	3,100	3,103	3,100	3,000	Nov-Feb
Wheat									
Common Wheat	1,800	1,900	2,040	2,240	2,360	2,381	2,360	2,360	May- Sept
Strong (High Protein) Wheat	1,720	1,960	2,040	2,240	2,360	2,360	2,360	2,360	May- Sept
Average Floor Price	1,760	1,960	2,040	2,240	2,360	2,360	2,360	2,360	May-Sept
Corn									
Average Floor Price	1,800	1,980	2,120	2,240	2,250	2,250	N/A	N/A	Dec–April

Sources: NDRC and Newswires

In late March 2017, the Chinese government announced that the “target price-based direct subsidy” for soybeans will be replaced by “market-oriented soybeans price plus a direct subsidy to soybean farmers” in MY2017/18. This policy is similar the government’s support “temporary reserve” program for corn from 2006 until 2015.

Wheat

Production

MY2017/18 wheat production is unchanged from the USDA July forecast at 130.0 million tons, but is still 1.2 million tons higher than MY2016/17 on higher yield.

MY2017/18 forecast harvested area is unchanged from USDA's July forecast at 24.2 million hectares. Historically, wheat production has slid downward as government support payments lag behind relative prices for other crops, such as early indica rice. However, in MY2017/18, "supply side structural reforms" have pressured non-irrigated corn growers to switch to wheat.

Winter wheat accounts for approximately 95 percent of all wheat produced in China. According to the Chinese National Grains and Oilseeds Information Center (CNGOIC), as of June 18, approximately 95 percent of total winter wheat harvesting is complete. In MY2017/18, 94 percent of China's winter wheat will be harvested using agricultural machinery. Nationally, Chinese officials report that MY2017/18 winter wheat was harvested one day later in June than MY2016/17.

MY2017/18 winter wheat crops have limited incidence of scab, sprout, and rust and avoided most pest and disease pressure.

Consumption

Total wheat consumption in MY2017/18 is forecast at 114.0 million tons, down 2.0 million tons from the USDA July forecast on lower feed use.

MY2017/18 feed use is forecast at 11.0 million tons, down 2.0 million tons from the July USDA estimate. Wheat use for feed is no longer price competitive due to relatively smaller supplies of new crop feed-quality wheat.

Forecast MY2017/18 wheat food, seed and industrial (FSI) consumption is unchanged from USDA's July forecast at 103 million tons, up 1.0 million tons from MY2016/17.

Early reports from Hubei, Hebei, Henan, and Hunan provinces indicate that MY2017/18 winter wheat quality is better than MY2016/17. Wheat originating from Jiangsu and Anhui provinces is of far better quality than MY2016/17 supplies. Estimated test weights average between 75 kg per hectoliter and 79 kg per hectoliter.

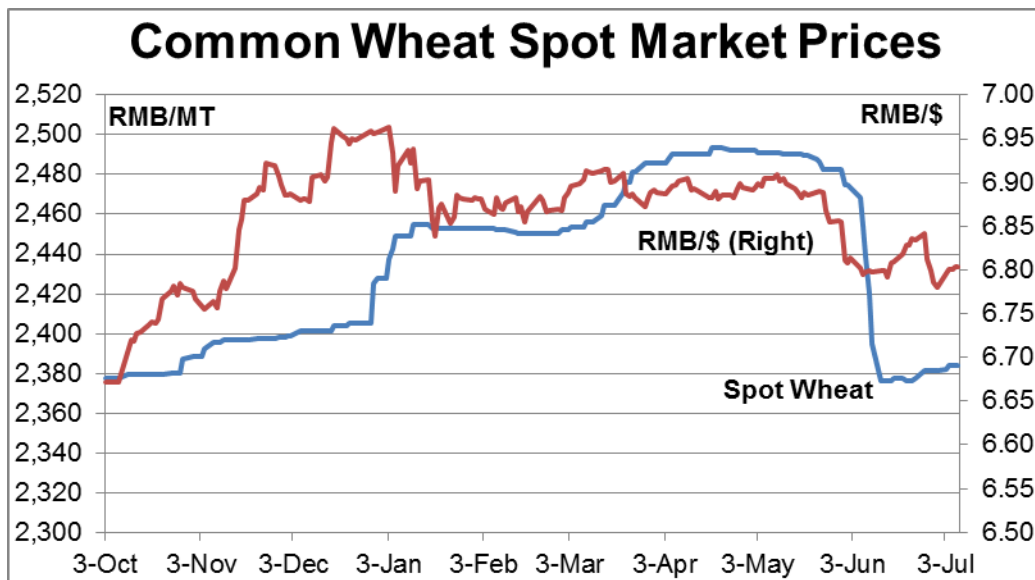
As MY2017/18 domestic supplies enter the market, government purchases have restricted available supplies on the market. Since April and May, prices jumped \$30 per ton to between \$360 and \$388 per ton (RMB 2,450 to 2,640). High protein wheat supplies remain thin.

Wholesale Wheat Spot Prices in Major Markets				
Province	Common Wheat		Strong Wheat	
	--RMB per ton--	--\$ per ton--	--RMB per ton--	--\$ per ton--
Hebei	2,400	\$350	2,580	\$377
Henan	2,360	\$347		
Hubei	2,200	\$324		
Shandong	2,360	\$347	2,580	\$377
Jiangsu			2,540	\$372

Sources: Industry sources

In contrast, standard wheat spot prices have fallen 10 percent, settling around \$347 per ton (RMB 2,376) on abundant supplies and a seasonal decline in milled wheat product demand for low-gluten wheat supplies. Government purchases of wheat will conclude in September.

As of late June, futures for common wheat are at \$344 per ton (2,365 RMB). Industry sources expect prices to recover slightly as common wheat prices have fallen to a considerable discount.



Imports

MY2017/18 imports are unchanged from the USDA July forecast at 3.0 million tons on expectations for sufficient quantity and quality of domestic wheat supplies.

On October 15, 2016, the NDRC announced the 2017 tariff-rate-quota (TRQ) for wheat at 9.6 million tons, unchanged from 2016.

China's 2017 Tariff Rate Quota Policies for Wheat					
Commodity	TRQ Volume (MT)	Private Allocation	State-Owned Enterprise Allocation	In-Quota Duty	Out-of-Quota Duty
Wheat	9,636,000	10%	90%	1%	65%

Source: National Development and Reform Commission (NDRC)

MY2017/18 out-of-quota imports are not expected to be significantly large due to the high quality of the domestic crop. Buyers typically apply relatively lower in-quota tariffs for TRQ allocations on higher value wheat varieties such as U.S. Hard Red Spring and Canadian Spring Wheat, and relatively higher out-of-quota imports for lower value wheat varieties such as Soft White Wheat or Australian White Wheat. Over the past three years, the private quota volume has been fully subscribed.

From November 2016 to March 2017, speculative buying of imported high-protein wheat was both under the quota and out-of-quota. From January to March 2017, China imported as much as 50 percent of total imports out-of-quota.

MY2016/17 wheat imports are estimated at 3.6 million tons, down 800,000 tons from USDA's July estimate on updated trade data.

Australia led all other exporters, shipping half of all wheat volumes to China, followed by the United States, Canada, and Kazakhstan. The United States shipped about one-third of total deliveries,. U.S. Hard Red Winter (HRW) wheat shipments account for about 15 percent of MY2016/17 imports. U.S.-origin high protein wheat import landed quotes to Shanghai average \$270 to \$280 per ton (RMB 1,863 to 1,932).

South China is the leading importer of both high-protein, strong wheat and high-quality common wheat varieties. Buyers in South China are much more receptive to higher priced quotes for high-quality HRW at \$585 to \$730 per ton (RMB 4,000 to 5,000) than other regions in China.

According to China Customs, imports from October 2016 to May 2017 totaled 2.7 million tons.

On February 25, Kazakhstan shipped its first containerized shipments of wheat via freight rail to Xi'an China. China Customs data indicate that Kazakhstan wheat shipments have reached at least 40,000 tons per month since February 2017.

On April 9, 2017, China announced the first shipment of 500 tons of spring wheat via freight rail from Krasnoyarsk, Russia to Manzhouli, Inner Mongolia. COFCO reports that it intends to import between 1.0 million and 2.0 million tons of wheat from Russia annually.

Exports

MY2017/18 wheat exports are unchanged from USDA's July forecast at 800,000 tons, based on in-kind food assistance from the Government of China to Africa and the Middle East.

Stocks

MY2017/18 wheat ending stocks are projected at 128.4 million tons, up slightly from USDA's July forecast due to higher production and declining consumption.

Although the State Administration of Grain expanded wheat procurement volumes in 2016/17, overall stocks are forecast lower. Industry sources report that commercial stocks are low.

In Jiangsu and Hubei Provinces, the minimum purchase price of common wheat was announced in early June according to the following price and quality specifications.

China's State Administration of Grain	
Standards	Third-Class Wheat
Minimum Price	\$171 per ton (1,180 RMB)
Test Weight/Bulk Density	75 – 77 kg per hectoliter
Moisture	12.5%
Foreign Matter	1%
Damaged Kernels	8%

Government purchases of wheat will conclude in September. MY2018/19 minimum support prices will be announced in October 2017.

MY2016/17 wheat stocks are estimated at 110.2 million tons, down 800,000 tons from USDA July estimates on lower-than-expected imports.

On September 30, 2016, the State Administration of Grain reported that total procurement for MY2016/17 reached 75.8 million tons, about 9.5 million tons higher than last year. In 2016/17, about 81 percent of State Administration of Grain wheat stocks originated from four of the most weather-affected provinces: Jiangsu, Hubei, Henan, and Anhui.

Corn

Production

MY2017/18 corn production is forecast at 210.0 million tons, down 5.0 million tons from USDA's July forecast, as high temperatures negatively impact yield potential.

MY2017/18 corn harvested area is unchanged from USDA's July estimate at 35.0 million hectares. MY2017/18 area is forecast down 1.8 million hectares, or nearly 5 percent lower than MY2016/17, on policy-driven declines in harvested area.

China's corn growers typically plant starting on May 1. Lower planted area in Heilongjiang province alone accounts for more than one-third of the decline in national harvested area. MOA promotes corn

growers to switch from planting corn for grain to soybeans (nearly half of the total change in area), wheat, sweet corn, silage corn, millet, and forage.

Nearly all of the MY2017/18 estimated harvested area has been sown. Across most of North East China, early crop development in parts of North East China was supported by irrigated land and existing soil moisture.

MY2017/18 yields are forecast slightly lower as high temperatures and drought conditions in some western parts of Liaoning and Jilin provinces prevented planting, forcing some corn producers to replant or switch to alternative crops. In 2016, CNGOIC reported that Liaoning and Jilin accounted for nearly 20 percent of China's corn crop.

MY2016/17 corn production is unchanged at 219.6 million tons from the USDA July estimate.

Consumption

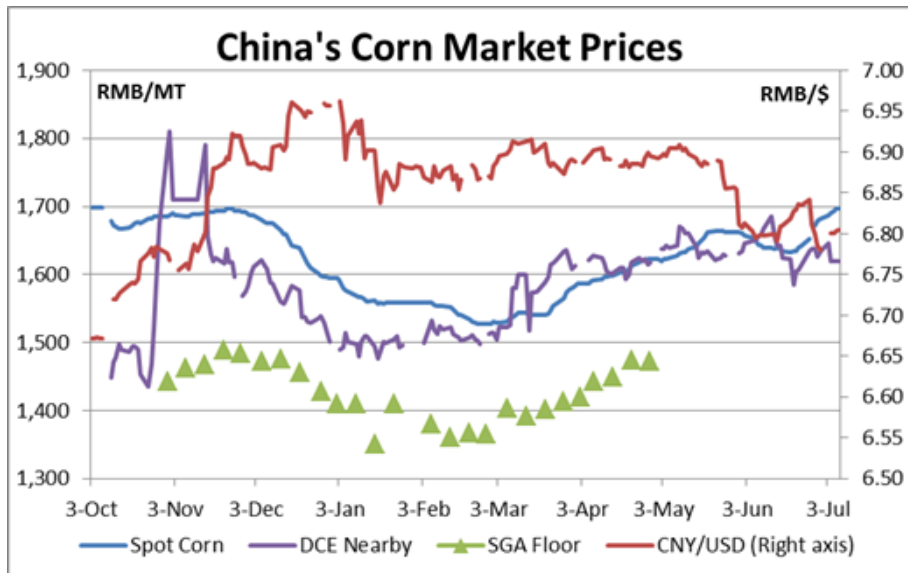
Forecast MY2017/18 corn consumption is unchanged from USDA's July forecast at 238.0 million tons.

The MOA, Rural Economic Research Center reported in February that China's farmers have responded to 2016 "supply side structural reforms" and the shift in price direction exceeded government expectations. Post estimates that domestic spot prices bottomed at \$222 per ton (RMB 1,527) in March 2017. As of the time of this writing, spot prices have rallied to their highest levels 10 months at \$250 per ton (RMB 1,697). Post forecasts prices will continue rise in the short-run due to weather and policy-driven expectations for a smaller MY2017/18 crop.

Since October 2016, futures quotes have steadily climbed 30 percent to \$250 per ton (RMB 1,690) in July 2017 and rallied to their highest levels in three months.

MY2017/18 will be the first full marketing year following the announcement of China's "supply side structural reforms." As auction corn buyers take delivery of state supplies they face a similar logistics environment as MY2016/17. Freight bottlenecks for truck, rail, and vessels are driving local prices higher than domestic internal trade.

Current local market tightness is partly attributed to China's State Administration of Grain requirements that auction buyers arrange and execute their own transportation. Major state-owned enterprises accounted for the majority of auction buyers at the start of the auction period. However, as the harvest draws closer, small and medium-sized auction buyers are at a significant transportation disadvantage, impacting logistics across North China. Industry sources report that high-quality corn supplies remain tight in North China.



Sources: Industry Sources, Dalian Commodity Exchange, State Administration of Grain (SGA), Pacific Exchange Rate Service

Delivered Corn Spot Prices in Grain Producing and Deficit Provinces July 2016			
Province	Minimum	Maximum	Average
	RMB per ton	RMB per Ton	USD per ton
<i>North East China</i>			
Jilin	1,660	--	\$244
Liaoning	1,710	1,750	\$254
<i>North China Plain</i>			
Shandong	1830	1840	\$270
Hebei	1,780	1,800	\$263
<i>South China</i>			
Shandong	1,800	1,850	\$253
Guangdong	1,830	1,850	\$270

Source: Post calculations and Industry sources

MY2017/18 feed use is unchanged from USDA’s July forecast at 166.0 million tons, and 4.0 million tons higher than MY2016/17 on competitively priced domestic supplies and higher demand.

Overall MY2017/18 hog production is expected to remain flat. However, production is moving from more high population areas to Western and North East China, a grain surplus region, because of stricter environmental enforcement. Industry sources report that improved genetics are boosting the number of sows per litter. Hog prices are down, but swine farmers continue to realize strong margins in the near-term.

Poultry prices are forecast to rise slightly, but broiler producers are still struggling due to tight margins and losses related to avian influenza control measures.

MY2017/18 FSI consumption is unchanged from USDA July forecast at 72.0 million tons. However, MY2017/18 FSI use is up 2.0 million tons from MY2016/17 based on larger corn processing volumes. MY2017/18 corn use for ethanol is forecast at 23.0 million tons, climbing by one-quarter from MY2016/17.

MY2016/17 feed use is unchanged estimated from USDA's July forecast at 162.0 million tons on plentiful and competitively priced domestic supplies.

MY2016/17 FSI consumption is unchanged from USDA July estimate at 70.0 million tons.

China is subsidizing corn processors to consume excess government stocks. The largest corn processors in North East China are offered subsidies of \$30 to \$45 per ton (RMB 200 to 300) to produce corn starch, ethanol, and other corn milling by-products, such as amino acids.

Corn Starch Processor Payments (November 2016 to June 2017)			
Province	Jilin	Shandong	Heilongjiang
Processor Payment	\$30 per ton		\$45 per ton
Net Benefit	\$55 per ton	\$25 per ton	\$151 per ton
Total Benefit	\$85 per ton		\$156 per ton

In recent weeks, many processors have slowed their pace of work to undergo maintenance. Eligibility requirements for the processor subsidies include: annual processing capacity of 50,000 tons or more and the ability to take delivery of auctioned corn from state inventories. Eligible sales are required to be settled before April 30, 2017 and processed by June 30, 2017.

Starch-based sweeteners are a major corn industrial product. Starch processing capacity in July is running at 75 to 85 percent across North East and North China. In calendar year 2016, the production of starch-based sweeteners reached 3.8 million tons. July starch prices range between \$294 and \$338 (RMB 2,000 to 2,300), rising \$4 to \$7 per ton (RMB 30 to 50) from late June.

Starch prices are rising as seasonal demand for sweeteners increases. Rising domestic sugar prices are expected to buoy the competitiveness of starch-based sweeteners. Starch-based sweetener production costs have been declining for three years. As domestic demand from the food/beverage industries saturates, Chinese starch-based sweeteners are beginning to be exported, mainly to neighboring Asian countries such as the Philippines.

In July, ethanol prices ranged between \$0.50 and \$0.56 per liter (RMB 4,200 to 4,850 per ton), nearly unchanged from June 2017 prices. At this time, ethanol processing capacity is at 47 percent of total capacity due to the expiration of corn processing subsidies; heightened environmental regulatory scrutiny; and higher corn prices. Processors currently face negative or slightly break even margins. Overcapacity and weak demand for corn by-products have pressured prices lower.

From October 2016 to May 2017, China's ethanol producers have exported more than 71.0 billion liters, a 175 percent increase from the same period last year with three more months remaining in the

MY2016/17 marketing year.

Imports

Forecast MY2017/18 corn imports are halved from the July USDA forecast at 1.5 million tons, as plentiful old-crop corn supplies are auctioned by the state and enter the market. In the short term, global prices remain competitive in the South China feed market.

At present, MY2016/17 supplies to Guangdong are tight. Imported corn prices remain slightly lower than domestic supplies. North-South corn freight spreads are between \$5 to 10 per ton (RMB 30 to 70). In June, cumulative domestic corn shipments to Guangdong port are estimated to reach about 600,000 tons.

China's 2017 Tariff Rate Quota Policies for Corn					
Commodity	TRQ Volume (MT)	Private Allocation	State-Owned Enterprise Allocation	In-Quota Duty	Out-of-Quota Duty
Corn	7,200,000	40%	60%	3%	65%

Source: National Development and Reform Commission (NDRC)

MY2016/17 estimated corn imports are at 1.5 million tons, halved from the July USDA estimate on trade data and reported vessel line ups. However, in the short term, imported corn remains competitive in the South China feed market. Chinese buyers contracted large volumes for May and August delivery from the United States and Ukraine.

Exports

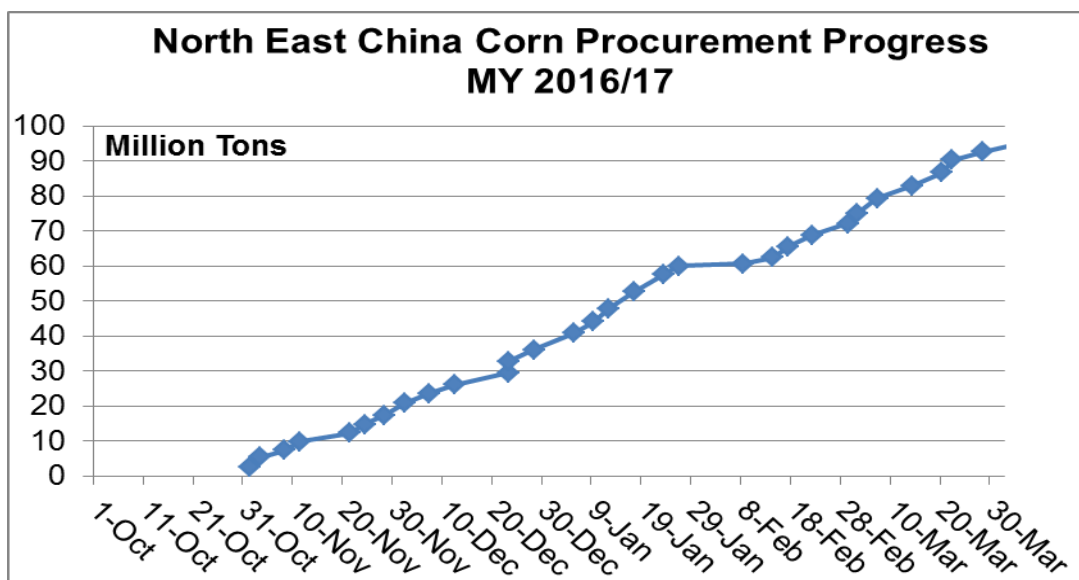
Forecast MY2017/18 corn exports are at 50,000 tons, up 30,000 tons from the USDA July estimate on expanded in-kind food assistance.

MY2016/17 corn exports are estimated at 50,000 tons, up 20,000 tons from the USDA July estimate on greater volumes of food assistance shipments. China has responded to world famine with in-kind food assistance to United Nations World Food Program (WFP).

Stocks

MY2017/18 corn ending stocks are forecast lower at 73.2 million tons, down 8.0 million tons from USDA's July forecast on greater consumption.

MY2016/17 ending stocks are estimated at 99.8 million tons, down 1.5 million tons from USDA July estimates. On October 1, 2016, China began accumulating MY2016/17 corn supplies for national reserves. Central government officials are directing local and provincial authorities to assist corn producers with financial lease programs for storage and silage equipment and facilities.



Source: State Administration of Grain

On May 5, China’s State Administration of Grain began auctioning old crop supplies. China’s National Grain and Oilseeds Center (CNGOIC) reports that China intends to rotate 323.2 million tons of corn stocks currently held from MY2003/04 to MY2016/17. China is under pressure from the State Council to liquidate stocks of old-crop corn, which overhang domestic and global markets.

To date, commercial traders and end-users in North East China hold pipeline stocks for two months of use. Most buyers will hold onto current stocks as they wait for new crop supplies expected to begin marketing in late August.

Rice

Production

Forecast MY2017/18 rough rice production is at 206.9 million tons, down 286,000 tons from USDA July forecasts on lower harvested area. MY2017/18 forecast rice production is down slightly from MY2016/17 on marginally lower harvested area.

Post forecasts MY2017/18 harvested area at 30.0 million hectares, down 200,000 hectares from USDA July estimates as a decline in planted area in the Southern Yangtze River Basin offsets expanded area in North East China. Harvested rice area continues a downward trend as overall rice consumption and production margins slide relative to other crops.

As of early June 2017, MY2017/18 Japonica rice transplanting in North East China is complete, but delayed compared to MY2016/17 by one week. Despite generous producer price supports, processing subsidies, and direct payments, North East China farmers face tight margins. As a result, corn growers have switched from planting corn to planting rice. Rice offers higher margins of \$180 to \$360 per hectare (RMB 200 to 400 per mu).

Further south, forecast MY2017/18 early indica rice harvested area in the Pearl River Delta is 2 percent higher than MY2016/17 as corn producers switch from planting corn to rice. The main early indica producing areas will be harvested in mid-July.

Current weather conditions are negatively impacting potential rice yields. In June, CNGOIC forecasted that assuming normal weather conditions, MY2017/18 rice yields will be the highest in nearly five years. June and July rains and high temperatures threaten late development of early indica rice and the establishment of late indica rice transplants. Despite monsoon rains along the Yangtze River in June and July, rainfall deficits remain over parts of South China. The incidence of rice pests and diseases has increased in MY2017/18 from MY2016/17.

Estimated MY2016/17 milled rice production is unchanged from the USDA July estimate at 144.9 million tons.

Consumption

Forecast MY2017/18 consumption is at 143.0 million tons unchanged from the USDA July estimate on stable consumption and dropping per-capita consumption.

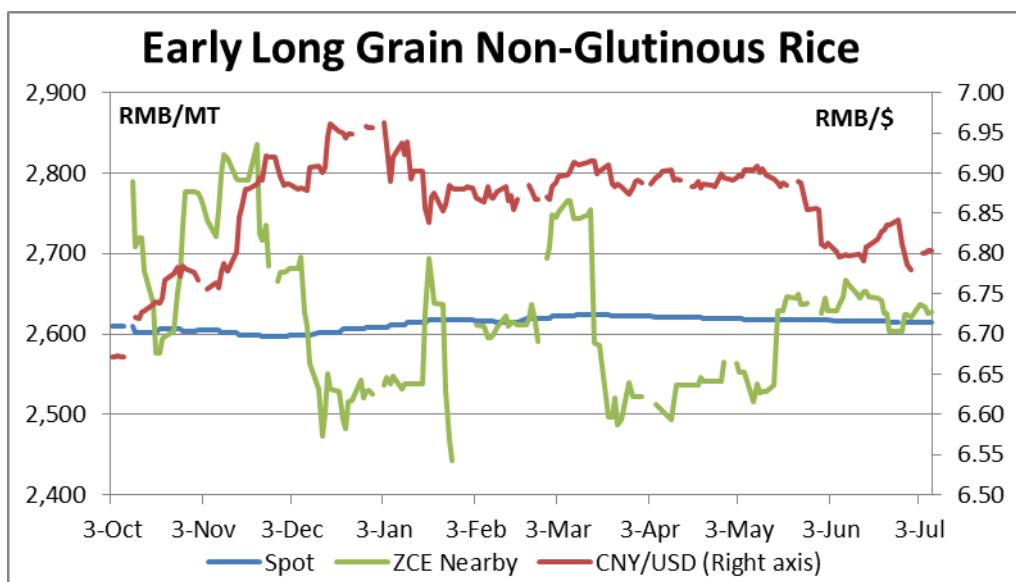
Rice is the largest staple grain consumed in China. However, per capita rice consumption is steadily trending downward. Since October 2015, rice prices have gradually slipped by 10 percent. Consumption of rice, wheat, and other staple grains will continue to fall as Chinese consumption of meat and dairy rises. Seasonally, rice traders hedge risks and avoid holding inventories during the heat and moisture of summer.

Domestic rice spot prices remain flat staying within a narrow band of \$381 to \$385 per ton (RMB 2,600 to 2,620) since October 2016. Futures prices also remained flat, within a narrow band between \$375 and \$415 per ton (RMB 2,440 to RMB 2,840).

In June, relatively tight supplies for japonica rice have pushed prices to a \$20 to \$45 per ton (RMB 150 to 300) premium over indica supplies.

Japonica Rice Spot Prices in in July 2017			
Province/City	Reference	RMB per ton	USD per ton
Beijing	Wholesale	4,990	\$734
Shanghai	Wholesale	4,760	\$700
Anhui	Wholesale	4,540	\$667
Jiangsu	Wholesale	4,640	\$682
Fuzhou	Production	4,650	\$683

Source: Industry sources



Sources: Industry sources, Pacific Exchange Rate Service, and Post calculations

Wholesale Indica Rice Spot Prices in in July 2017		
Province/Region	RMB per ton	USD per ton
North East	4,600-5,120	\$676-\$753
Shandong	3,220	\$470
Henan	3,160	\$465
Jiangsu	4,600-4,650	\$676-\$683
Anhui	4,300	\$632
Guangzhou	2800-4180	\$412-\$615

Sources: Industry sources

MY2016/17 consumption is estimated at 143.5 million tons based on average feed use and FSI use, unchanged from USDA July estimates.

Rice processors are experiencing downward pressure on operating margins as corn starch supplies overwhelm local markets.

Imports

Forecast MY2017/18 rice imports are at 5.0 million tons, unchanged from USDA July estimates.

Vietnam and Thailand remain leading exporters of rice to China due to their competitive prices and freight advantage. Rice imports will continue to be profitable if South East Asian countries offer the prices below China’s floor price of \$389 per ton (RMB 2,660). China is the largest buyer of Vietnamese rice, and the destination for nearly half of Vietnam’s rice exports.

Vietnamese rice to Hong Kong duty-paid quotes range between \$492 and \$507 per ton (RMB 3,300 and 3,400). Prices for Thai rice have risen by \$45 per ton to \$390 to \$430 per ton.

Delivered Rice Spot Prices in End-User Provinces in June 2016				
Origin	Province/Region	Minimum	Maximum	Average
		RMB per ton	RMB per Ton	USD per ton
Heilongjiang	Hangzhou		5,120	\$753
Heilongjiang	Anhui		4,520	\$665
Heilongjiang	Jiangsu		4,000	\$588
Thailand	Pearl River Delta			\$390-\$430
Vietnam	Pearl River Delta	3,082	3,092	\$372
India	Pearl River Delta	2,800	2,825	\$413-\$416

On April 25, 2017, the government agreed to grant licenses to eight additional Cambodian rice exporters, expanding the number of certified Cambodian exporters to 34.

MY2016/17 imports are unchanged from the USDA July estimates at 5.2 million tons.

Exports

Forecast MY2017/18 rice exports are unchanged from USDA July estimates at 800,000 tons on policy-driven exports to Africa. At the “One Belt, One Road” Summit, China proposed contributing in-kind food assistance to the United Nations World Food Program (WFP).

Stocks

Forecast MY2017/18 ending stocks are down 200,000 tons from July USDA forecasts at 75.5 million tons.

The purchase procurement period under China’s minimum price support program for rice began in July and will end in September 2017.

MY2016/17 milled rice ending stocks are unchanged from USDA July estimated at 69.5 million tons.

Sorghum

Production

MY2017/18 sorghum production is raised to 3.9 million tons, up 50,000 tons from the July USDA forecast on expanded harvested area. MY2017/18 sorghum harvested area is forecast at 800,000 hectares, up by 20,000 hectares from USDA July estimates on policy-driven mandates. As of July, overall MY2017/18 sorghum planting is nearly complete.

MY2016/17 sorghum production estimates are unchanged from the USDA July estimate at 3.8 million tons. MY2016/17 sorghum harvested area is unchanged at 760,000 hectares.

Consumption

MY2017/18 consumption is unchanged from USDA's July forecast at 8.2 million tons.

MY2017/18 feed consumption is at 5.7 million tons, unchanged from USDA's July forecast.
MY2017/18 FSI use is forecast at 2.5 million tons, unchanged from USDA's July forecast.

MY2016/17 consumption is unchanged from the USDA July estimate at 8.5 million tons.

Imports

MY 2017/18 imports are unchanged from USDA's July forecast at 4.2 million tons.

However, in comparison to MY2016/17 imports, MY2017/18 is down 500,000 tons as import substitution policies have effectively diminished a large share of sorghum demand.

U.S sorghum has returned to price competitiveness over domestic corn. June and July will have the greatest demand for alternative feed grains on late-season buying, as end users cover their needs before the arrival of new-crop domestic supplies.

As late as June 2017, U.S. sorghum delivered to Chinese ports was quoted at CIF \$208 per ton RMB 1,450), near parity with domestic corn quotes delivered to South China ports.
In July, congestion near Yangtze River ports raised competitiveness for imported sorghum.

Post forecasts half of China's sorghum imports will ship to Guangdong. Niche pockets of sorghum buyers continue to seek imported supplies for livestock feed due to the consistency and reliable quality characteristics of U.S. sorghum.

MY2016/17 imports are unchanged from the USDA July estimates at 4.7 million tons, based on trade data.

Stocks

Forecast MY2017/18 ending stocks are at 572,000 tons, 30,000 tons higher than USDA July estimates on higher carry-in from MY2016/17.

Estimated MY2016/17 ending stocks are unchanged at 702,000 tons.

PSD Tables

Wheat Market Begin Year China	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24140	24140	24190	24190	24200	24200
Beginning Stocks	76105	76105	97042	97042	110992	110192
Production	130190	130190	128850	128850	130000	130000
MY Imports	3476	3476	4400	3600	3000	3000
TY Imports	3476	3476	4400	3000	3000	3000
TY Imp. from U.S.	613	613	0	0	0	0
Total Supply	209771	209771	230292	229492	243992	243192
MY Exports	729	729	800	800	800	800
TY Exports	729	729	800	800	800	800
Feed and Residual	10500	10500	16500	16500	13000	11000
FSI Consumption	101500	101500	102000	102000	103000	103000
Total Consumption	112000	112000	118500	118500	116000	114000
Ending Stocks	97042	97042	110992	110192	127192	128392
Total Distribution	209771	209771	230292	229492	243992	243192
Yield	5.3931	5.3931	5.3266	5.3266	5.3719	5.3719

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn Market Begin Year China	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	38119	38119	36760	36760	35000	35000
Beginning Stocks	100472	100472	110774	110774	101298	99778
Production	224632	224632	219554	219554	215000	210000
MY Imports	3174	3174	3000	1500	3000	1500
TY Imports	3174	3174	3000	1500	3000	1500
TY Imp. from U.S.	321	321	0	0	0	0
Total Supply	328278	328278	333328	331828	319298	311278
MY Exports	4	4	30	50	20	50
TY Exports	4	4	30	50	20	50
Feed and Residual	153500	153500	162000	162000	166000	166000
FSI Consumption	64000	64000	70000	70000	72000	72000
Total Consumption	217500	217500	232000	232000	238000	238000
Ending Stocks	110774	110774	101298	99778	81278	73228
Total Distribution	328278	328278	333328	331828	319298	311278
Yield	5.8929	5.8929	5.9726	5.9726	6.1429	6

(1000 HA) ,(1000 MT) ,(MT/HA)

Rice, Milled Market Begin Year China	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30210	30210	30160	30160	30200	30000
Beginning Stocks	57436	57436	63735	63735	69535	69535
Milled Production	145770	145770	144850	144850	145000	144800
Rough Production	208243	208243	206929	206929	207143	206857
Milling Rate (.9999)	7000	7000	7000	7000	7000	7000
MY Imports	4800	4800	5150	5150	5000	5000
TY Imports	4600	4600	5100	5100	5000	5000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	208006	208006	213735	213735	219535	219335
MY Exports	271	271	700	700	800	800
TY Exports	368	368	800	800	900	900
Consumption and Residual	144000	144000	143500	143500	143000	143000
Ending Stocks	63735	63735	69535	69535	75735	75535
Total Distribution	208006	208006	213735	213735	219535	219335
Yield (Rough)	6.8932	6.8932	6.861	6.861	6.859	6.8952

(1000 HA) ,(1000 MT) ,(MT/HA)

Sorghum Market Begin Year China	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	574	574	760	760	780	800
Beginning Stocks	706	706	717	717	702	702
Production	2750	2750	3800	3800	3850	3900
MY Imports	8284	8284	4700	4700	4200	4200
TY Imports	8284	8284	4700	4700	4200	4200
TY Imp. from U.S.	6218	6218	0	0	0	0
Total Supply	11740	11740	9217	9217	8752	8802
MY Exports	23	23	15	15	10	30
TY Exports	23	23	15	15	10	30
Feed and Residual	8800	8800	6000	6000	5700	5700
FSI Consumption	2200	2200	2500	2500	2500	2500
Total Consumption	11000	11000	8500	8500	8200	8200
Ending Stocks	717	717	702	702	542	572
Total Distribution	11740	11740	9217	9217	8752	8802
Yield	4.7909	4.7909	5	5	4.9359	4.875

(1000 HA) ,(1000 MT) ,(MT/HA)