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Date: 8/29/2019
GAIN Report Number: CH19054

China - Peoples Republic of

Oilseeds and Products Update

Reduction in China's Swine Herd Drops Meal Consumption to 4-Year Low

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Report Highlights:
Soybean meal (SBM) consumption for 2019/20 and 2018/19 are unchanged from August's report, but down from their preceding year as domestic swine inventories continue to shrink due to African Swine Fever (ASF). Soybean imports in 2019/20 are set to be the lowest in five years. A reduction in 2019/20 and 2018/19 soybean oil consumption will be substituted with larger imports of palm and sunflower seed oils. The market for vegetable oils continues to diversify and is expected to witness further growth into 2019/20. Encouraged by subsidies favoring soybean production, farmers have increased planted area and the 2019/20 forecast remains at 17.1 million tons. Expanded soybean area has prompted projected production above the previous year.

Note: September's update compares estimates and forecasts to August's updated report for marketing years 2017/18, 2018/19, and 2019/20. The term Post refers to FAS-Beijing projections and does not represent official USDA forecasts.

2019/20[1]

PRODUCTION

Oilseeds

China soybean production is still forecast at 17.1 MMT on higher-than-expected area. Most industry sources forecast the crop at 17 MMT or above. Encouraged by subsidies favoring soybean production, farmers have increased planted area; the subsidy has been particularly effective in Northeast provinces. Weather has been favorable as slightly higher yields are expected. Promotion of crop rotation along with enhanced technical extension reportedly facilitated recent yield gains.

Both China's National Grain and Oils Information Center (CNGOIC) and the Ministry of Agriculture and Rural Affairs (MARA) noted that increased profits in 2018/19 increased planted area in key growing provinces such as Heilongjiang (the largest soybean-producing province), Jilin, Shandong and Henan. An industry source recently indicated that area in Heilongjiang increased 20 percent.

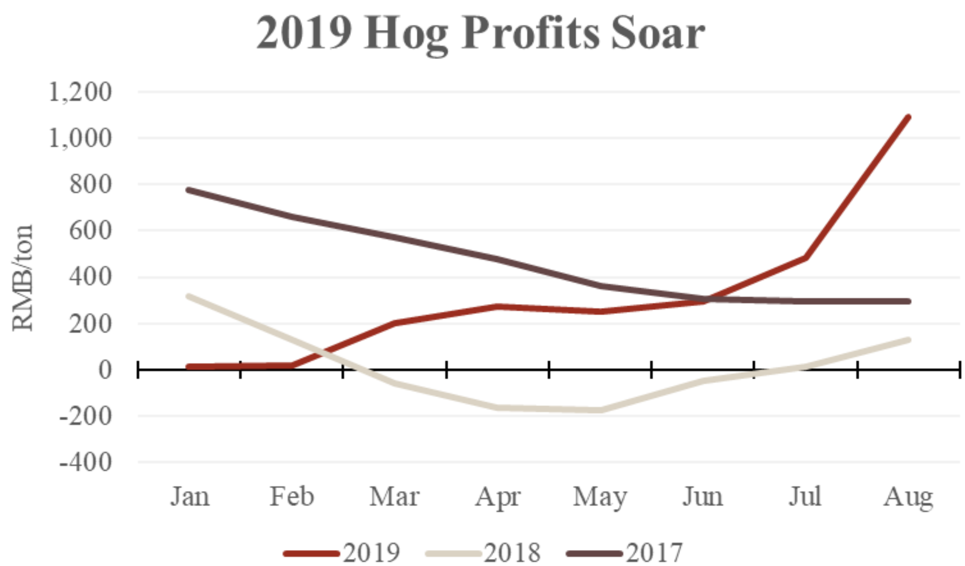
CONSUMPTION

Feed Demand Outlook

According to China's Ministry of Agriculture and Rural Affairs (MARA), sow and hog inventories continued falling in the first seven months of 2019. MARA reported in July that both declined more than thirty percent from the same month in 2018. The negative trend has likely not reached its floor, despite government efforts to encourage producers to restock.[2]

While the number of hogs available for slaughter declined considerably since 2018, live hog prices and producer profits have skyrocketed to around 1,000 yuan (or $143)/head in late August, compared to less than 300 yuan just three months before. This reflects an increasingly tight supply of hogs for the rest of 2019 and beyond. With higher expected profits, farmers are raising larger hogs with average-slaughtering-weight up ten to fifteen percent. The rapid increase in swine profits is expected to encourage higher SBM inclusion for faster weight gain.

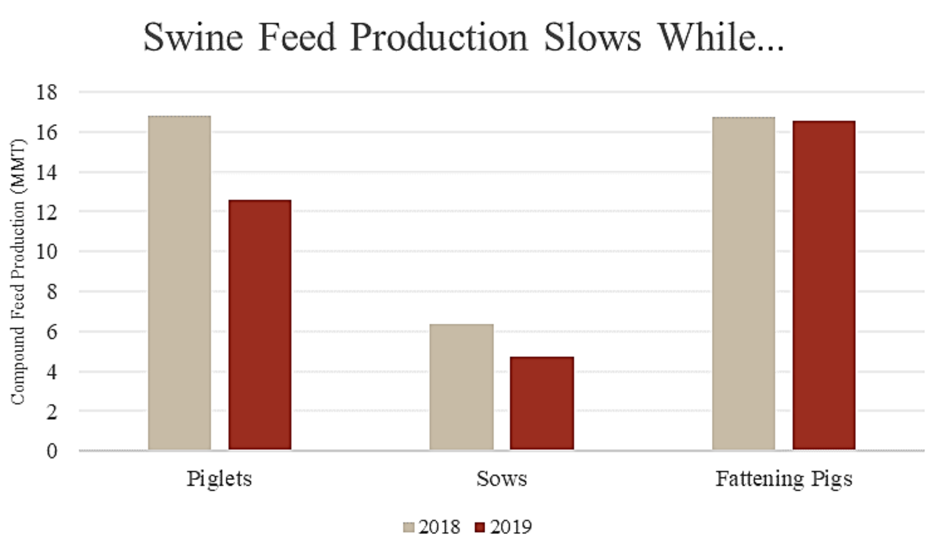
[1] October 2019 – September 2020
[2] For more information on FAS-Beijing China Livestock estimates, please see FAS GAIN Report CH19035 here.



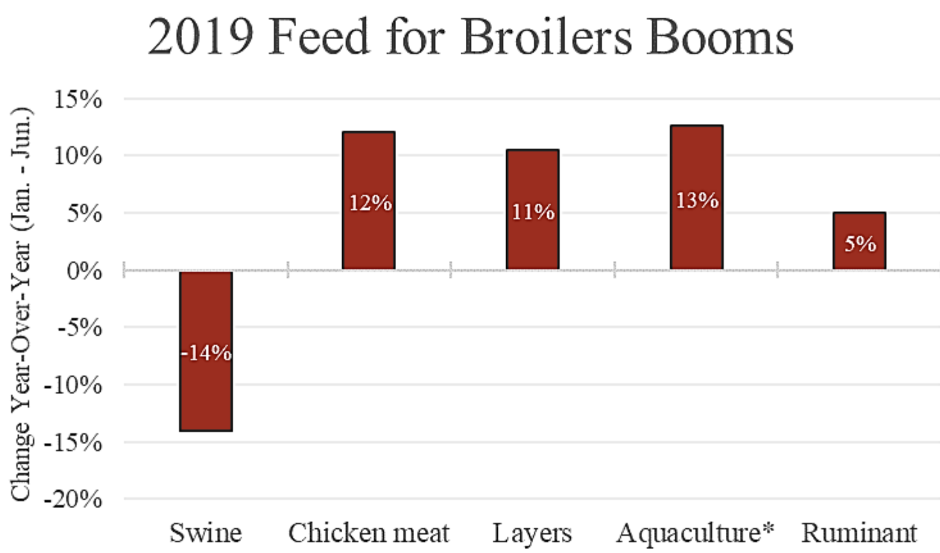
Source: China JCI; data for August 2019 is price on August 19th

Meanwhile, pork's supply shortfall and high pork prices are expected to stimulate production of other animal products including poultry, aquaculture, and ruminants. Profits for broilers and layers increased rapidly since July. These developments are expected to support demand for SBM, slightly moderating the significant drop in overall feed demand.

MARA's National Animal Husbandry Extension Center reported 2019 compound feed production at 93 MMT (January to June), down marginally from the previous year. Feed for piglets, sows, and fattening pigs is down from the previous the year, however, compound feed catered to other livestock and aquaculture is up. This includes broilers, layers, aquaculture, and ruminants; the broiler industry witnessed significant growth from the previous year as consumers continue to substitute pork for chicken meat.



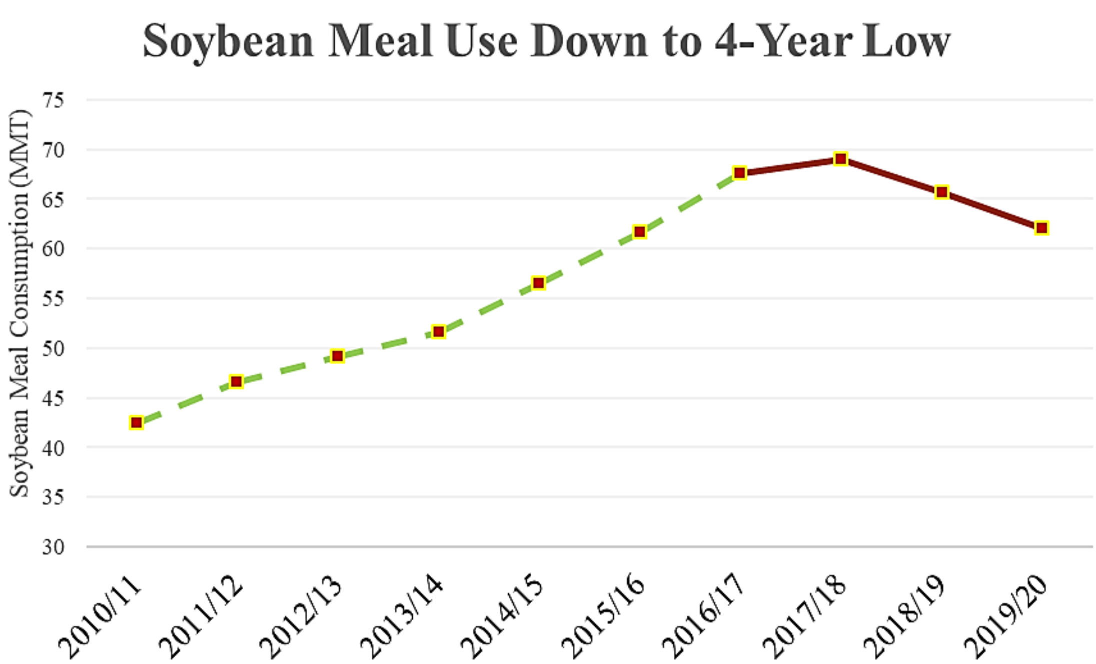
Note: Compares 2019 compound feed production with 2018 (Jan.- Jun.); Source: China Feed Industry Association



*Source: National Animal Husbandry Extension Center and *industry source*

Soybean Meal

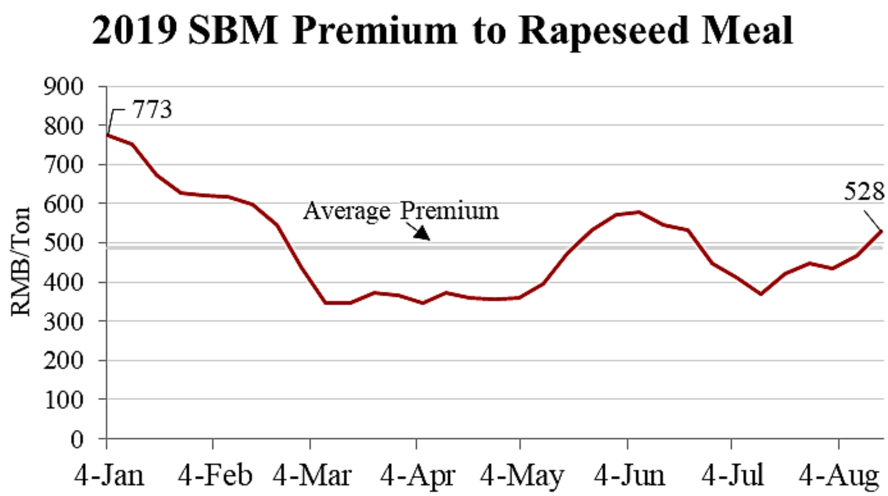
Despite growth in poultry and other industries, lower sow and hog numbers are expected to lower overall feed consumption significantly, with 2019/20 SMB consumption down to a four-year low. Soybean and SBM consumption for 2019/20 and 2018/19 are unchanged from August's report.



Note: Dashed line (green) represents USDA official statistics (2010 – 2016). Smooth line (red) represents Post (FAS-Beijing) estimates and forecasts (2017 – 2019).

Rapeseed Meal

Consumption in 2019/20 is unchanged and practically at the same level as the year before; 2018/19 is raised slightly but still lower than the previous year. The declining trend is attributed to China banning imports from two of the largest Canadian rapeseed exporters in March 2019. Since March, buyers have been resistant in signing new contracts for Canadian rapeseed.



Sunflower Seed Meal

Consumption is raised for 2019/20 and 2018/19; higher sunflower seed and sunflower-seed-meal imports (predominantly from Ukraine) have helped offset consumption losses for other meals, however, the upward adjustments are insignificant compared with China's total meal consumption.

Fish Meal

Fish meal consumption is forecast up to about 2 million tons for 2019/20, up by about 100,000 tons from the previous year due to growth in the aquaculture industry and higher fish meal imports.

Vegetable Oils

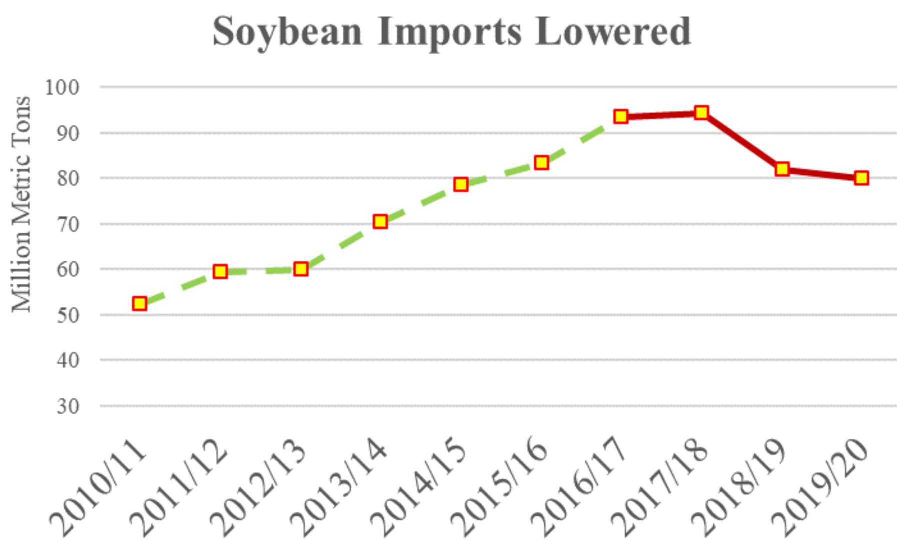
Soybean oil consumption is lowered for 2018/19 and 2019/20. Lower domestic crushing has resulted in less supply and sent some food manufacturers in search of cost competitive substitutes. Thus, 2019/20 and 2018/19 palm and sunflower seed oils consumption are raised to offset most declines.

TRADE

Oilseeds

Soybean imports for 2019/20 (Oct. to Sep.) are forecast to be the lowest in five years; significant declines in swine inventories have lowered feed demand and domestic crush margins. Although FAS-Beijing projects demand falling year-over-year, some Chinese sources believe imports will be higher in

2019/20. From October 2018 to July 2019, imports were down over fifteen percent from the previous year, and the quantity of U.S. soybeans was less than a quarter of the previous year's level.



Note: Dashed line (green) represents USDA official statistics (2010 – 2016). Smooth line (red) represents Post (FAS-Beijing) estimates and forecasts (2017 – 2019).

Rapeseed imports in 2018/19 are lowered amid buyers ongoing difficulties sourcing Canadian product.

Imports are boosted for sunflower seed in both 2018/19 and 2019/20 as domestic crush is expected to expand in the current year and stabilize going into 2019/20.

Meals

Imports are adjusted up for rapeseed and sunflower seed meals in 2018/19 and 2019/20; less supplies of domestically-produced meals have driven demand for foreign protein.

Vegetable Oils

Soybean oil imports in 2018/19 and 2019/20 are forecast down while exports are adjusted marginally up. Currently, 2019/20 imports are forecast to more than double from the previous year. Imports in the current year are down one-third from the last update.

Imports for 2019/20 rapeseed oil are unchanged and above the previous year's level; 2018/19 imports are raised amid less domestic crushing.

Imports for sunflower seed and palm oils are raised in 2019/20 following robust projected demand in the previous year; 2018/19 imports are adjusted up with stronger-then-expected data to date. Consumers have substituted both oils for soybean oil; the market for vegetable oils continues to diversify and is expected to witness further growth into 2019/20.

The growth in palm oil consumption is also attributed to the food industry's rising demand for instant noodles, snack foods, and western fast-food. With greater market opportunities, both Malaysia and

Indonesia have ramped up efforts to promote palm oil in China. Declining palm oil prices have encouraged greater imports and improved the oil's competitiveness in China's diversifying vegetable oil market.

Table 1. Soybeans

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Soybean (1000 tons; 1000 Ha)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	8,250	8,250	8,400	8,400	9,100	9,000
Area Harvested	8,250	8,250	8,400	8,400	9,100	9,000
Beginning Stocks	20,663	20,663	23,524	23,824	20,199	19,099
Production	15,200	15,200	15,900	15,900	17,000	17,100
MY Imports	94,095	94,095	83,000	82,000	85,000	80,000
Total Supply	129,958	129,958	122,424	121,724	122,199	116,199
MY Exports	134	134	125	125	125	120
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Food Use Dom. Cons.	12,400	12,100	12,900	12,900	13,400	13,200
Feed Waste Dom. Cons.	3,900	3,900	4,200	4,100	4,300	4,100
Total Dom. Cons.	106,300	106,000	102,100	102,500	102,700	97,800
Ending Stocks	23,524	23,824	20,199	19,099	19,374	18,279
Total Distribution	129,958	129,958	122,424	121,724	122,199	116,199

Table 2. Rapeseed

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oilseed, Rapeseed (1000 tons; 1000 Ha)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Area Planted	0	6,653	0	6,500	0	6,600
Area Harvested	6,653	6,653	6,468	6,500	6,600	6,600
Beginning Stocks	1,064	1,064	1,203	953	703	553
Production	13,274	13,274	12,850	12,900	13,100	13,100
MY Imports	4,715	4,715	3,800	3,800	3,600	4,100
Total Supply	19,053	19,053	17,853	17,653	17,403	17,753
MY Exports	0	0	0	0	0	0
Crush	17,300	17,500	16,600	16,500	16,200	16,600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	550	600	550	600	550	600
Total Dom. Cons.	17,850	18,100	17,150	17,100	16,750	17,200
Ending Stocks	1,203	953	703	553	653	553
Total Distribution	19,053	19,053	17,853	17,653	17,403	17,753

Table 3. Soybean Meal

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Meal, Soybean (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Extr. Rate, 999.9999	0.792	0.792	0.792	0.792	0.792	0.792
Beginning Stocks	0	0	0	0	0	0
Production	71,280	71,280	67,320	67,716	67,320	63,756
MY Imports	23	23	20	18	50	40
Total Supply	71,303	71,303	67,340	67,734	67,370	63,796
MY Exports	1,198	1,198	950	900	900	600
Industrial Dom. Cons.	1,100	1,100	1,150	1,150	1,200	1,200
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	69,005	69,005	65,240	65,684	65,270	61,996
Total Dom. Cons.	70,105	70,105	66,390	66,834	66,470	63,196
Ending Stocks	0	0	0	0	0	0
Total Distribution	71,303	71,303	67,340	67,734	67,370	63,796

Table 4. Rapeseed Meal

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Rapeseed (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	17,300	17,500	16,600	16,500	16,200	16,600
Extr. Rate, 999.9999	0.590	0.590	0.590	0.590	0.590	0.590
Beginning Stocks	0	0	0	0	0	0
Production	10,209	10,326	9,796	9,735	9,560	9,794
MY Imports	1,258	1,258	1,325	1,300	1,225	1,200
Total Supply	11,467	11,584	11,121	11,035	10,785	10,994
MY Exports	14	14	14	15	15	10
Industrial Dom. Cons.	468	450	473	450	473	450
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	10,985	11,120	10,634	10,570	10,297	10,534
Total Dom. Cons.	11,453	11,570	11,107	11,020	10,770	10,984
Ending Stocks	0	0	0	0	0	0
Total Distribution	11,467	11,584	11,121	11,035	10,785	10,994

Table 5. Sunflower Seed Meal

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Sunflower Seed (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	1,800	1,800	2,000	2,070	2,050	2,070
Extr. Rate, 999.9999	0.545	0.545	0.545	0.545	0.545	0.545
Beginning Stocks	0	0	0	0	0	0
Production	981	981	1,090	1,128	1,117	1,128
MY Imports	210	210	950	950	1,050	1,000
Total Supply	1,191	1,191	2,040	2,078	2,167	2,128
MY Exports	24	24	20	13	20	10
Industrial Dom. Cons.	62	0	62	0	62	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,105	1,167	1,958	2,065	2,085	2,118
Total Dom. Cons.	1,167	1,167	2,020	2,065	2,147	2,118
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,191	1,191	2,040	2,078	2,167	2,128
SBM Equivalent	1,800	1,800	2,000	2,070	2,050	2,070

Table 6. Fish Meal

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meal, Fish (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		1/2017		1/2018		1/2019
Catch For Reduction	1,100	1,100	1,100	1,000	1,100	1,000
Extr. Rate, 999.9999	0.400	0.364	0.386	0.364	0.386	0.364
Beginning Stocks	0	0	0	0	0	0
Production	440	400	425	364	425	364
MY Imports	1,466	1,466	1,600	1,500	1,650	1,600
Total Supply	1,906	1,866	2,025	1,864	2,075	1,964
MY Exports	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	1,906	1,866	2,025	1,864	2,075	1,964
Total Dom. Cons.	1,906	1,866	2,025	1,864	2,075	1,964
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,906	1,866	2,025	1,864	2,075	1,964

Table 7. Soybean Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Soybean (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	90,000	90,000	85,000	85,500	85,000	80,500
Extr. Rate, 999.9999	0.179	0.179	0.179	0.179	0.179	0.179
Beginning Stocks	670	670	568	568	505	633
Production	16,128	16,128	15,232	15,305	15,232	14,409
MY Imports	481	481	750	800	1,100	1,700
Total Supply	17,279	17,279	16,550	16,673	16,837	16,742
MY Exports	211	211	160	150	125	110
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	16,500	16,500	15,885	15,890	16,212	16,130
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	16,500	16,500	15,885	15,890	16,212	16,130
Ending Stocks	568	568	505	633	500	502
Total Distribution	17,279	17,279	16,550	16,673	16,837	16,742

Table 8. Rapeseed Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Rapeseed (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	17,300	17,500	16,600	16,500	16,200	16,600
Extr. Rate, 999.9999	0.390	0.390	0.390	0.390	0.390	0.390
Beginning Stocks	2,543	2,543	1,741	1,719	1,300	1,234
Production	6,747	6,825	6,474	6,435	6,318	6,474
MY Imports	1,067	1,067	1,450	1,500	1,500	1,550
Total Supply	10,357	10,435	9,665	9,654	9,118	9,258
MY Exports	16	16	17	20	15	15
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	8,600	8,700	8,348	8,400	8,203	8,450
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	8,600	8,700	8,348	8,400	8,203	8,450
Ending Stocks	1,741	1,719	1,300	1,234	900	793
Total Distribution	10,357	10,435	9,665	9,654	9,118	9,258

Table 9. Sunflower Seed Oil

PSD Table						
Country	China, Peoples Republic of					
Commodity	Oil, Sunflower Seed (1000 tons)					
	2017/18		2018/19		2019/20	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
Crush	1,800	1,800	2,000	2,070	2,050	2,070
Extr. Rate, 999.9999	0.358	0.358	0.359	0.358	0.359	0.358
Beginning Stocks	0	0	0	0	0	0
Production	645	645	717	741	735	741
MY Imports	785	785	900	980	1,050	1,000
Total Supply	1,430	1,430	1,617	1,721	1,785	1,741
MY Exports	2	0	2	0	2	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	1,428	1,430	1,615	1,721	1,783	1,741
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	1,428	1,430	1,615	1,721	1,783	1,741
Ending Stocks	0	0	0	0	0	0
Total Distribution	1,430	1,430	1,617	1,721	1,785	1,741

Table 10. Palm Oil

PSD Table						
Country	**China, Peoples Republic of**					
Commodity	**Oil, Palm (1000 tons)**					
	2017/18		**2018/19**		**2019/20**	
	USDA Official	Post Estimate New	USDA Official	Post Estimate New	USDA Official	Post Estimate New
Market Year Begin		10/2017		10/2018		10/2019
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	307	307	495	495	300	665
Production	0	0	0	0	0	0
MY Imports	5,320	5,320	6,300	6,450	6,700	6,700
Total Supply	5,627	5,627	6,795	6,945	7,000	7,365
MY Exports	32	32	30	30	30	30
Industrial Dom. Cons.	2,200	2,200	2,400	2,250	2,400	2,400
Food Use Dom. Cons.	2,900	2,900	4,065	4,000	4,300	4,350
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	5,100	5,100	6,465	6,250	6,700	6,750
Ending Stocks	495	495	300	665	270	585