

China's Corn Imports: How Much and For How Long?

Bryan Lohmar

Director

U.S. Grains Council, Beijing Office



**U.S. GRAINS
COUNCIL**

Pork Prices Rallied Due to African Swine Fever

Live Hog Prices in China (RMB/Kg)



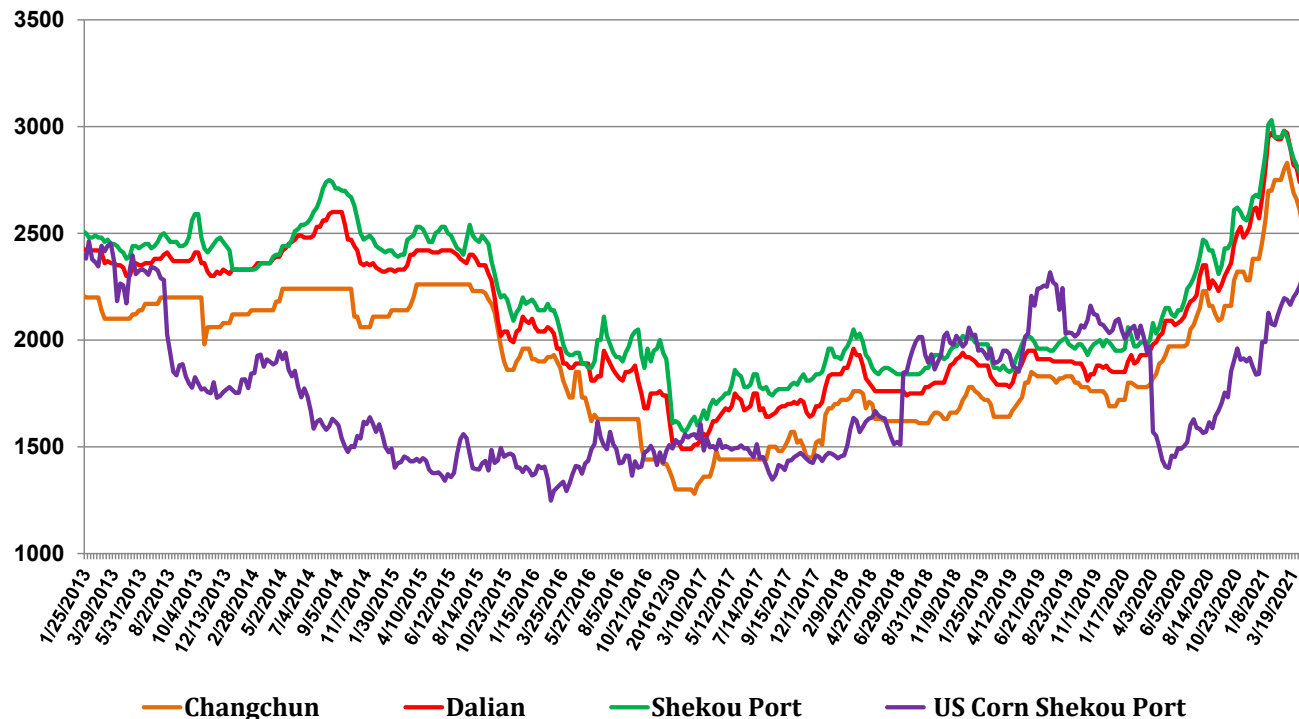
In August, 2019, a year after the first case of African Swine Fever (ASF) was reported in China, pork prices skyrocketed to levels beyond anyone's expectations

China's large swine inventories were reportedly down 40 percent due to the ASF outbreak

Prices have fallen significantly since then but not clear when they will return to "normal"

Corn Prices Rallied Too!

Corn Prices in Northeast and South China (RMB/MT)



Unexpectedly, corn prices in China increased 50 percent in 2020 and into 2021

The rally generated huge import margins and imports that helped global prices rise

No sign prices will come down: current Nov '21 and Jan '22 futures prices on DCE very close to current prices

ASF and Feed Grains Demand Growth

Plausible Scenarios of the Effect ASF has on Corn Feed Demand

ASF is causing hog producers to reduce some feed ingredients, particularly recycled food waste, and replace that with corn.

My estimate of recycled food waste use is 30 MMT, dry weight

Hog Feed Demand (MMT)

Corn Share

Corn Feed Demand (MMT)

	<i>Pre-ASF Swine Inventories</i>	<i>ASF-Induced 40 percent Reduction in Swine Inventories</i>	<i>Full Recovery in Swine Inventories</i>
	200	120	190
	50%	75%	75%
	100	90	142.5

Expanding Poultry Production

Modern broiler production up 10-15 percent

Traditional village-level broiler production up?

- ⇒ Many former hog producers in villages across China converted to traditional poultry
- ⇒ Traditional poultry have higher feed conversions that hog production does

This could add another 5-10 MMT to corn feed demand



Increasing Pipelines and Stocks



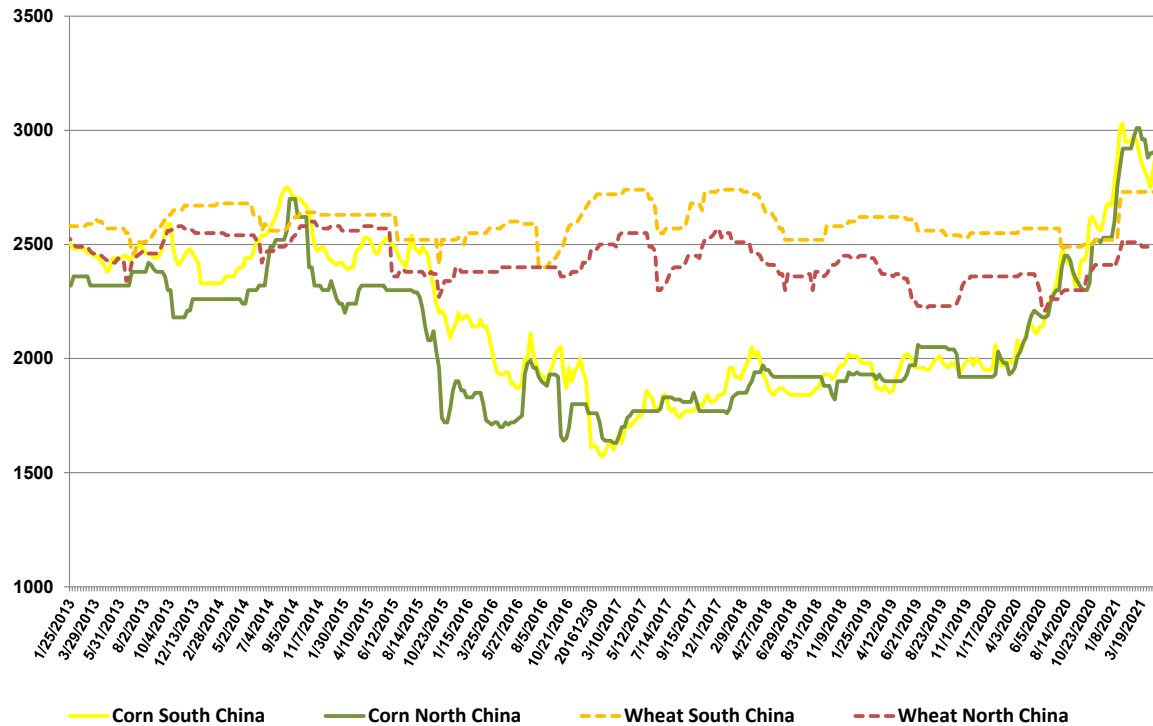
With the temporary corn reserves now depleted, private end users are increasing their own stocks and pipelines to ensure supplies if prices continue to strengthen



If everyone increased their stocks by one month's use, that would add another 22-25 MMT to demand

Wheat use Increasing in Feed

Corn and Wheat Prices in North and South China (RMB/MT)



Corn prices are actually pulling up wheat prices in North and South China

Wheat auctions sold 27.8 MMT since Jan 1st (by this time last year auctions sold just 5 MMT)

USDA feed wheat estimate is 40 MMT, many in the market think closer to 50 MMT

And rice too!

TRQ and State Trading Enterprises (STEs)

China's TRQ for Corn is **7.2 MMT/year** and is divided into:

- Private (end users) – 40 percent or **2.88 MMT**
- STEs – 60 percent or **4.32 MMT**
- TRQs are allocated by calendar year, not crop marketing year

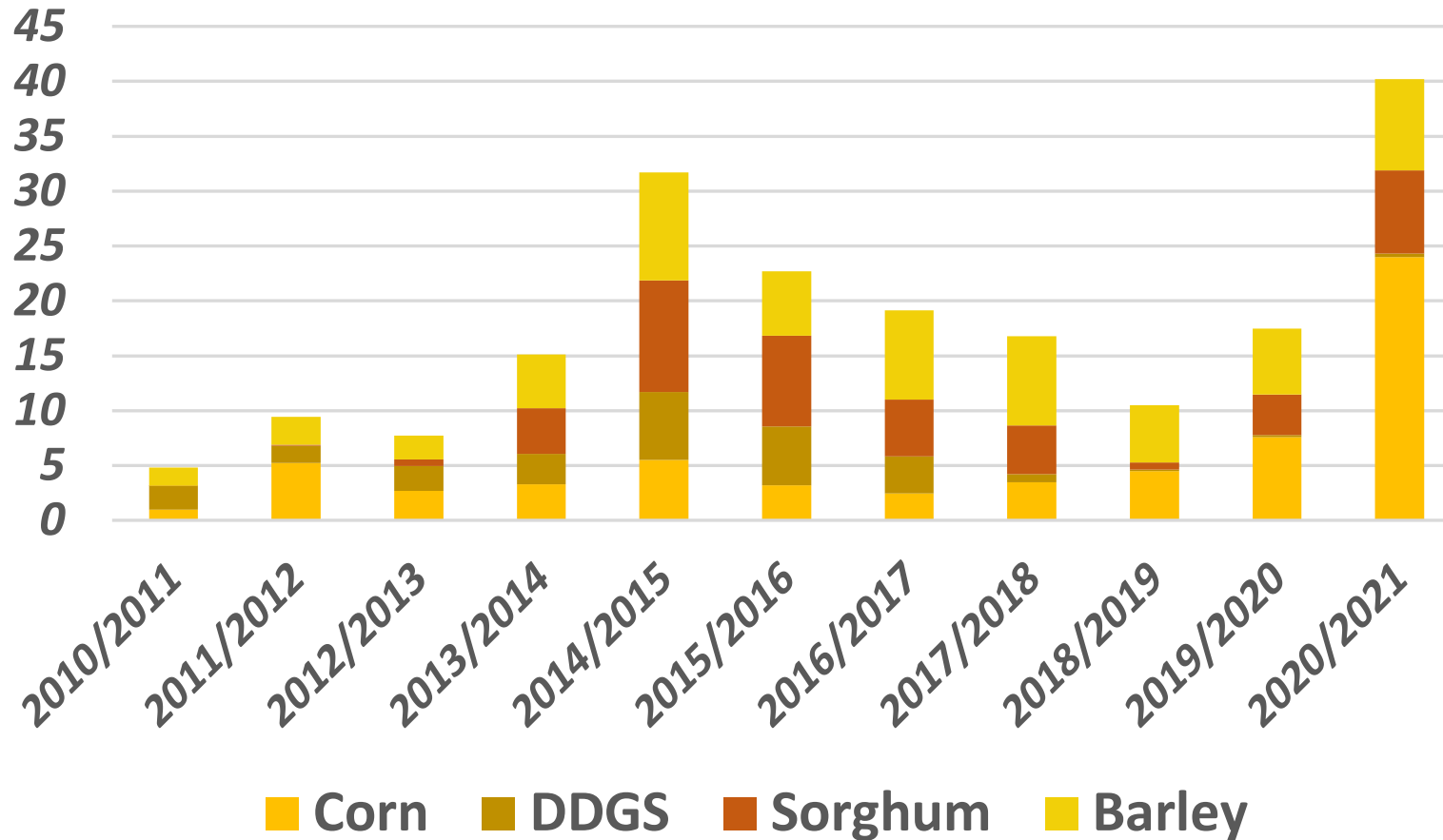
Corn Imports Beyond the 2.88 MMT Allocated to Private Enterprises are Imported by STEs*

- This provides China with a fair bit of control over imports
- I do not see reforms to this system anytime soon

Sorghum, Barley, and DDGS Do Not Have TRQs

This may result in China being more comfortable with large corn imports

What Else Can China Import?



China has been a major importer of feed grains for years

With expansion of sorghum, barley, and DDGS imports limited, all additional import demand will be met with corn

Corn imports, however, can be managed under the TRQ arrangement

The Future - Discussion

To what extent are this year's corn imports temporary versus systematic?

- While there were some production shocks last year, I think current imports are more driven by underlying market factors rather than production shocks in 2020
- Demand is continuing to grow as the swine industry recovers from ASF
- Increasing corn sown area this year is not enough to fill the gap between supply and demand
- Large amounts of wheat and rice use in feed rations will not last forever
- China will eventually adopt GMO technology in corn, but I do not expect it to be a silver bullet to increase corn yields

Questions?

