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CHINA'S GRAINS AND OILSEEDS SITUATION

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China’s Grains and Oilseeds Situation

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Why China Important?

China’s Grain and Oil Trade Have Been Significant and Volatile Since 1980:

- Wheat imports: from 0.5 to 15 mmt;
- Soybeans imports: from 0 to 21 mmt;
- Corn exports: from 0 to 16 mmt;
- Rice exports: from 0 to 2.6 mmt
Outline of Presentation

- Importance of China’s Grain and Oil Situations
- Past Trends in China’s Grain and Oil Production and Trade
- Role of Grain Reserve Stocks
- Prospects for 2005 and Beyond
Past Trends

Total Grain Sown Areas

Million ha.

Year


Grain  Cereals  Rice  Wheat  Corn

Past trends in the total grain sown areas are shown in the graph. The data is presented in million hectares, with years ranging from 1978 to 2004. The graph illustrates the trends in grain, cereals, rice, wheat, and corn across these years.
Past Trends

Total Grain Production

year

million tons


grain cereals rice wheat corn

Past Trends

Total Grain Production

year

million tons


grain cereals rice wheat corn
Past Trends

Oil Crop Sown Areas

million ha.

year


soybeans peanut rapeseed
Past Trends

Oil Crop Production

million tons

year


soybeans  peanut  rapeseed
Past Trends

Grain Exports

mmt


year

rice corn
Past Trends

Grain and Oil Imports

- Wheat
- Soybeans
- Edible oil

year

mmt
Role of Reserve Stocks

According to China National Grain & Oil Information Center estimates, China’s cereals (rice, wheat and corn) reserve stocks have reduced significantly in the new century:

<table>
<thead>
<tr>
<th>Year</th>
<th>Stocks (mmt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>30.6</td>
</tr>
<tr>
<td>2001/02</td>
<td>45.1</td>
</tr>
<tr>
<td>2002/03</td>
<td>52.3</td>
</tr>
<tr>
<td>2003/04</td>
<td>61.7</td>
</tr>
<tr>
<td>2004/05</td>
<td>15.7</td>
</tr>
<tr>
<td>Total</td>
<td>205.4</td>
</tr>
</tbody>
</table>
## Role of Reserve Stocks

### Changes in Reserve Stocks, mmt

<table>
<thead>
<tr>
<th></th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>-15,166</td>
<td>-11,210</td>
<td>-13,640</td>
<td>-10,104</td>
<td>5,500</td>
<td>-44,620</td>
</tr>
<tr>
<td>Wheat</td>
<td>-14,218</td>
<td>-17,146</td>
<td>-19,357</td>
<td>-6,442</td>
<td>-57,163</td>
<td></td>
</tr>
<tr>
<td>Rice</td>
<td>-6,267</td>
<td>-19,645</td>
<td>-21,612</td>
<td>-32,316</td>
<td>-15,569</td>
<td>-79,840</td>
</tr>
<tr>
<td>Soybeans</td>
<td>2,115</td>
<td>-2,327</td>
<td>3,394</td>
<td>-1,743</td>
<td>73</td>
<td>1512</td>
</tr>
</tbody>
</table>

Source: China National Grain and Oil Information Center.
Role of Reserve Stocks

- Future trade clearly depends on production, consumption and accumulative change in stocks;
- Are estimates of CNGOIC accurate?

  Imports data reliable;
  Production data relatively reliable;
  Consumption data questionable;
  Stock data questionable;
Role of Reserve Stocks

Assumptions for simulation:
Accumulative consumption in 1993-2003 equals to the sum of total production and net import during the same time period;
The growth rate of consumption is relatively fast at early stage and gradually decline.

Scenario I
1978-85, 4%; 1985-90, 2%; 1990-2004, 1%

Scenario II
1978-85, 4%; 1985-93, 2%; 1993-2004, 0.5%
Role of Reserve Stocks

Grain and Soybeans Supply and Demand
Scenario I

Year

mmt


P + NI  Con.
Role of Reserve Stocks

Grain and Soybeans Stock Changes
Scenarios I

-100.0 -50.0 0.0 50.0 100.0 150.0 200.0 250.0


annual change
accumulative change

year
Role of Reserve Stocks

Grain and Soybeans Supply and Demand
Scenario II
Role of Reserve Stocks

Grain and Soybeans Stock Changes
Scenarior II

- annual change
- accumulative change
Prospects for 2005 & Beyond

**Prospects for 2005**

Production may increase by 10 mmt

**Scenario I**

Consumption may increase by 5 mmt
Imports may increase by 6 mmt, if no further change in stocks

**Scenario II**

Consumption may increase by 2.5 mmt
Imports may decrease by 10 mmt, if no further change in stocks
Prospects for 2005 & Beyond

Prospects for 2005

2004 Imports:
- wheat 8 mmt; soybeans 19.5 mmt; rice 1 mmt
2004 Exports:
- corn 4.5 mmt
2005 Imports:
- wheat 2-3 mmt, as winter wheat area has increased by 1.5 million ha.
Prospects for 2005 & Beyond

Factors Stimulating Grain Production in 2004 & 2005

- Price surge since Oct./Nov. 2003;
- Direct payment to grain producers;
- Deduction/elimination of agricultural tax;
- Subsidy to purchases of farm inputs
Prospects for 2005 & Beyond

Prospects for the Future

Production increases by 10 mmt every year?

Market prices have stabilized, and may decrease in the future under freer trade;

Agricultural tax eliminated, is the quantity of direct payment going to increase by several times shortly and continuously afterwards?

What will contribute by public investment in agricultural R&D?

Consumption increases by 5 mmt or more?

Population growth, age structure, employment structure, income growth, income distribution, social security programs?
Thanks!