

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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LOCK-UP REPORT

June Oilseed Updates

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Report Highlights:

Post's June forecast for MY12/13 oilseed production remains unchanged from May's 55 million metric tons (MMT) on planted area of 25.32 million hectares (MHa), both down 2.7 percent and 2 percent from MY11/12, respectively. Driven mainly by strong demand for protein meals, soybean imports in MY12/13 are forecast to reach 60 MMT from the estimated 57 MMT in MY11/12. MY11/12 rapeseed imports are expected to increase to 2.3 MMT, up from the previous estimate of 2 MMT due to growing demands for rapeseed products and expanded crush capacity.

MY12/13 Soybeans production expected to fall

The June forecast of MY12/13 domestic soybean production remains unchanged from May's report of 13 MMT, down slightly from the previous year's estimated 13.5 MMT, as farmers in major production regions reduce soybean acreage in favor of more profitable crops.

China will purchase 3 MMT of MY12/13 rapeseed as "tentative reserve"

Post forecasts MY12/13 rapeseed production as unchanged from last year's 12.5 MMT based on planted area of 7.05 MHa, with slight yield gains from favorable weather conditions in most producing region compensating for planting area decline. China National Grain and Oilseed Information Center's (CNGOIC) June estimate of MY12/13 rapeseed production remains unchanged from its May report of 12.8 MMT, however, with a higher estimate for Sichuan Province exceeding 2 MMT. Currently, the farm-gate marketing price for MY12/13 rapeseed ranges from RMB4,700 to 4,960/MT depending on the quality and region.

According to Grain and Oilseeds Daily June 22nd report, the Chinese government, in an effort to protect farmer income, has approved the purchase of up to 5MMT of MY12/13 domestic rapeseed at a floor price of RMB5,000/MT (or \$794), with 3 MMT of this scheduled for reserve (oilseed or oil). The following table shows the MY12/13 state purchase plan of rapeseed by province (in 1,000 MT) which industry sources relate is usually crushed and then stored as oil in tentative reserve given rapeseed's short storage time.

Total	Hubei	Jiangsu	Sichuan	Anhui	Hunan	Jiangxi	Henan	Zhejiang	Yunnan Guizhou Chongqing
3,000	700	550	400	350	200	200	200	100	300

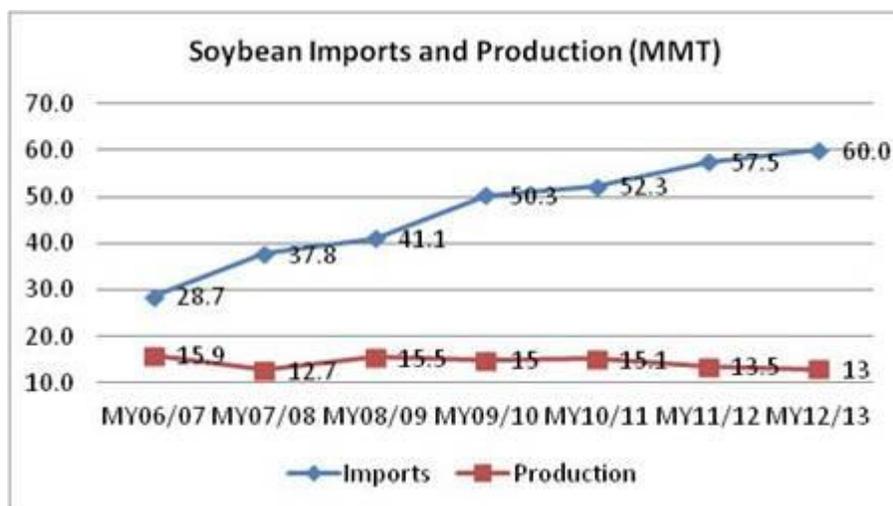
Source: CNGOIC

Other oilseed production

Lower MY11/12 cotton profits is expected to cause cotton planting area to fall by 10 percent and cottonseed production to drop one MMT in MY12/13. Post's peanut production in MY12/13 is forecast unchanged from previous reports of 16 MMT from a record high 16.2 MMT in MY11/12. The June CNGOIC MY12/13 peanut production estimate was adjusted down to 15.8 MMT due to a one percent decline in planted area.

MY12/13 soybean imports likely to reach 60 MMT

MY11/12 soybean imports are expected to exceed 57 MMT, up from previously estimated 55.8 MMT. Based on industry sources, as of the end of June, MY11/12 soybean imports are expected to reach 45 MMT, significantly higher than the 38.3 MMT in the same period in the previous year. CNGOIC estimates soybean imports will reach 58 MMT in MY11/12.



Source: WTA; MY11/12 and MY12/13 by Post

China's feed production growth continues to be a key factor driving soybean imports. Industry statistics show total feed production reached 79.7 MMT in the first five months of 2012, up 23.6 percent over the same period in 2011. However, some analysts say the rapid feed production growth is also being driven by expansion within the feed processing sector in addition to the growth in scale farming for swine and poultry nationwide.

U.S. DDGS exports to China resumed

The termination of China's anti-dumping investigation of US DDGS imports on June 21, 2012 is not expected to have a large impact on soybean imports because DDGS are mainly substitutes for other protein meals (rapeseed meal and cottonseed meal, etc.).

Rapeseed imports are expected to grow in MY12/13

MY12/13 rapeseed imports are forecast at 2.5 MMT, up from the estimated 2.3 MMT in MY11/12 (up 400,000 MT from previous estimate) driven by domestic demand and lifting of import restrictions. According to CNGOIC estimates and the World Trade Atlas, as of the end of June, MY12/13 rapeseed imports will reach 2 MMT.

In the beginning of 2012, China's General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) approved 18 rapeseed crushing plants, mainly located in non-rapeseed producing regions, for the use of imported rapeseed with 7 located in rapeseed-producing provinces (Zhejiang, Jiangsu and Inner Mongolia). This policy change (phyto restriction) has spurred imports from Canada and Australia.

AQSIQ's suspension of imports of oilseed meals from India (due to quality concerns) since the beginning of 2012 is also likely to push rapeseed imports to fill the meal demand gap (as China imported 650,000 MT of rapeseed from India in 2011).

The estimated 50 MMT/year crushing capacity with about 40 plants' capacity exceeding 1,000 MT daily also drives rapeseed imports. The current average utilization rate remains very low at 20 to

30 percent (or operation time ranges from 2 to 3 months). Given the lifting of rapeseed import restrictions, Chinese industry leaders will favor rapeseed imports so as to raise the utilization rate of domestic crushing capacity.