

CHINA GRAIN OUTLOOK: Light Boat, High Water, Big Waves -BLACK SEA GRAIN 2021

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Topics

- 1. Boat, Water and Waves**
- 2. China import estimates**
- 3. Why China import up 25%?**
- 4. China feedstuff and livestock**
- 5. China grain import by origin**
- 6. Food security and state policy**
- 7. China-US relations**

1. Light Boat, High Water, Big Waves

Boat is light:

- Inventory ↓
- Production ↓
- Population ↑
- US renewable diesel burning ↑

Water is high:

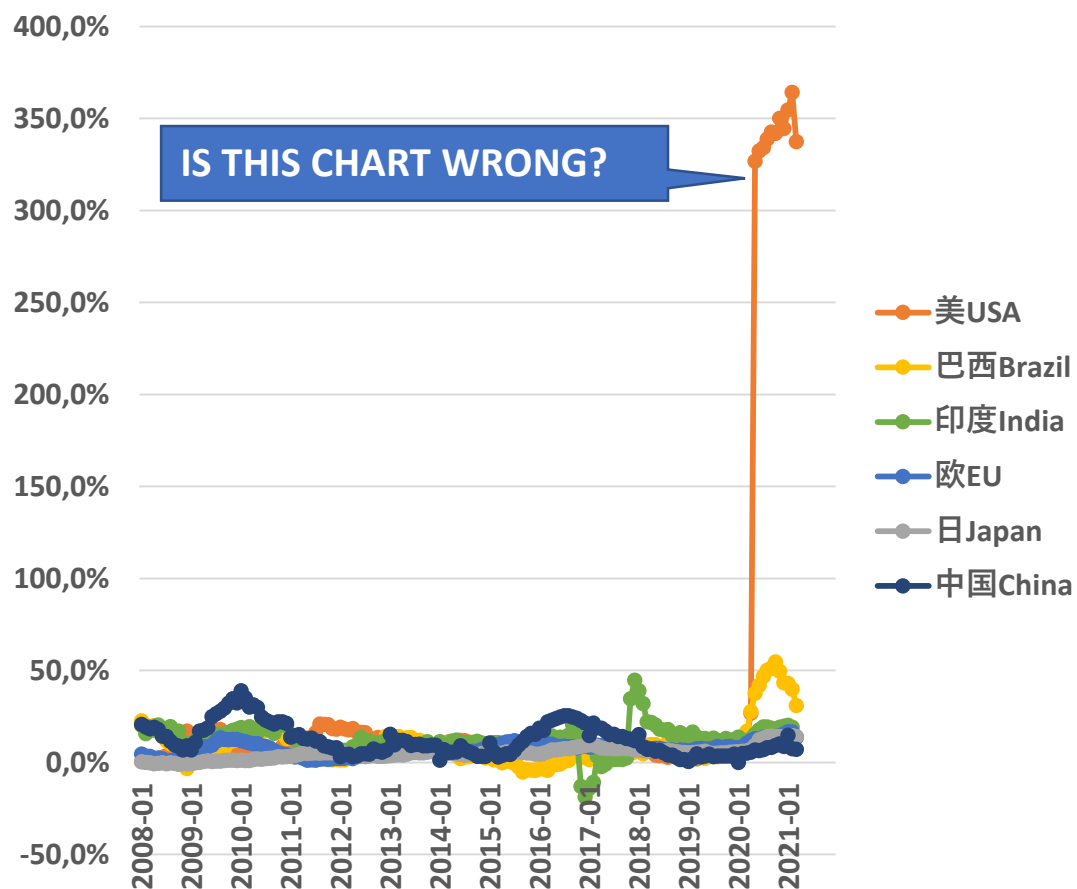
- M2 is up to 10%-30% worldwide

Waves are big:

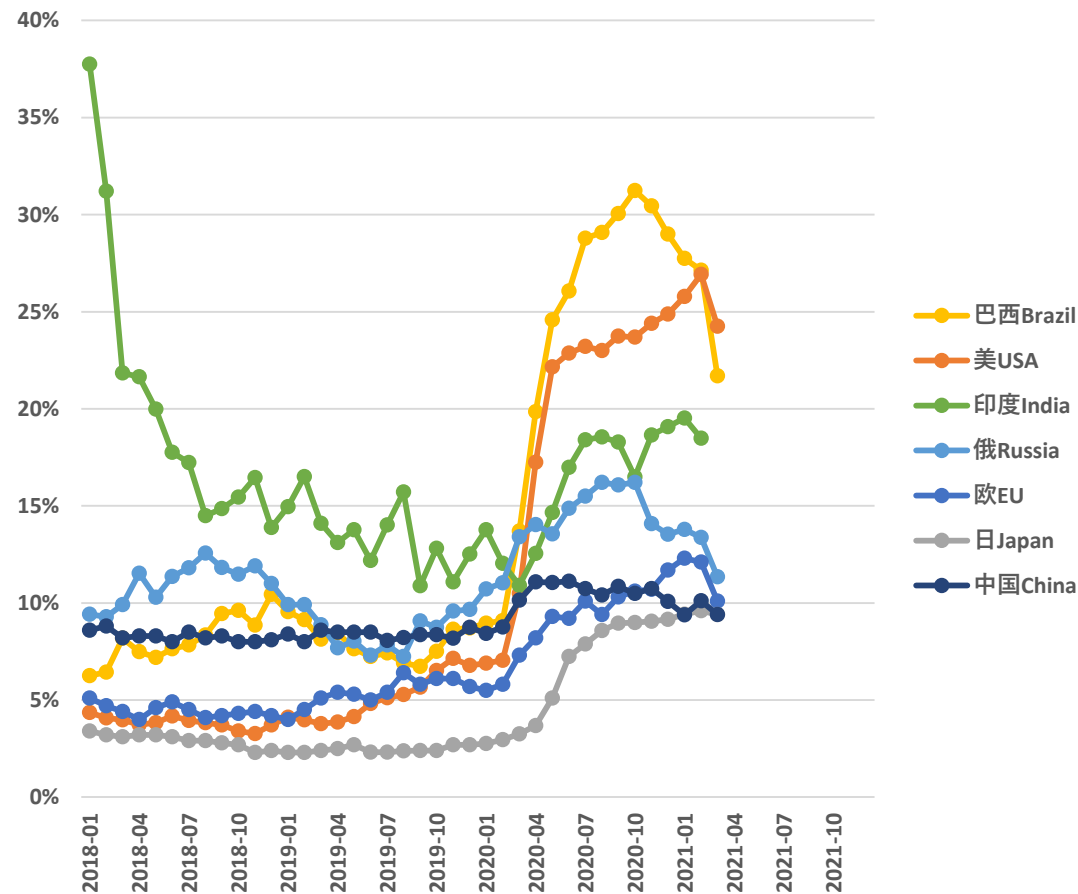
- **Operational:** Pipeline inventory changing
- **Non-operational:**
 - ① Tariff changing;
 - ② Money printing;
 - ③ **Non-deliverable Speculations;**
 - ④ CBOT Speculation Position Limit expanded on March 15th 2021;
 - ⑤ CBOT Price Limit expanded by CBOT on May 3rd 2021;
 - ⑥ China-US Phase One agreement;
 - ⑦ China Reserve changing;
 - ⑧ Media reports and so on.....

1.1 See how much US\$ have been printed in US since May 2020!

M1月度同比增幅Year-on-Year Growth by Month



M2月度同比增幅Year-on-Year Growth by Month

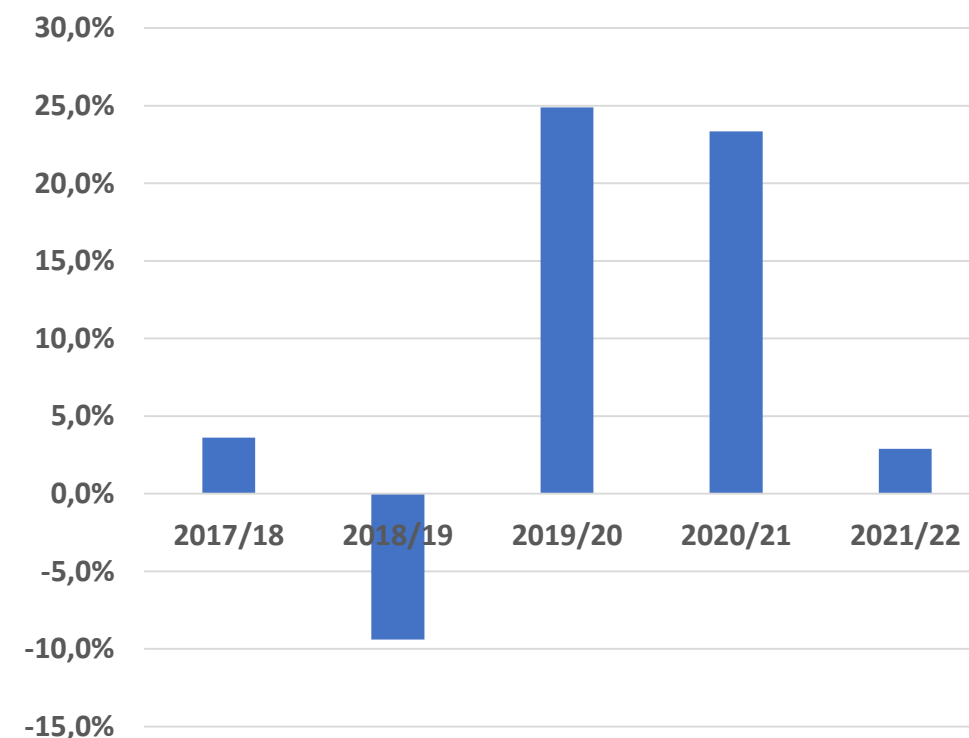


2. China import estimates (USDA, May 12th 2021):

- 1) Next season growth is only 3%;
- 2) Five year compounded annual growth rate is 8%

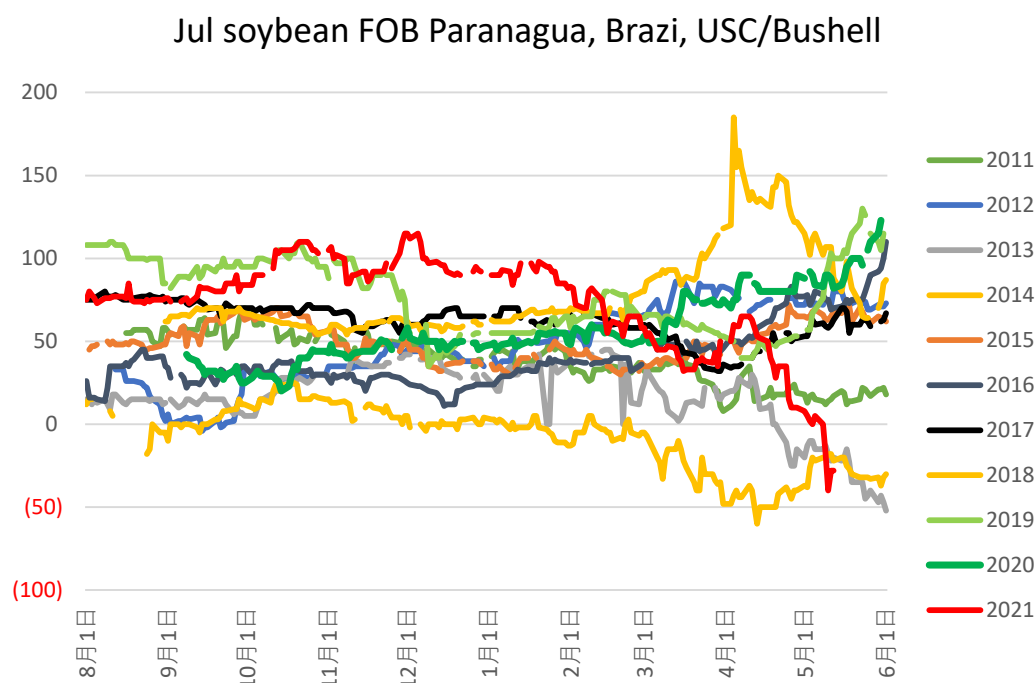
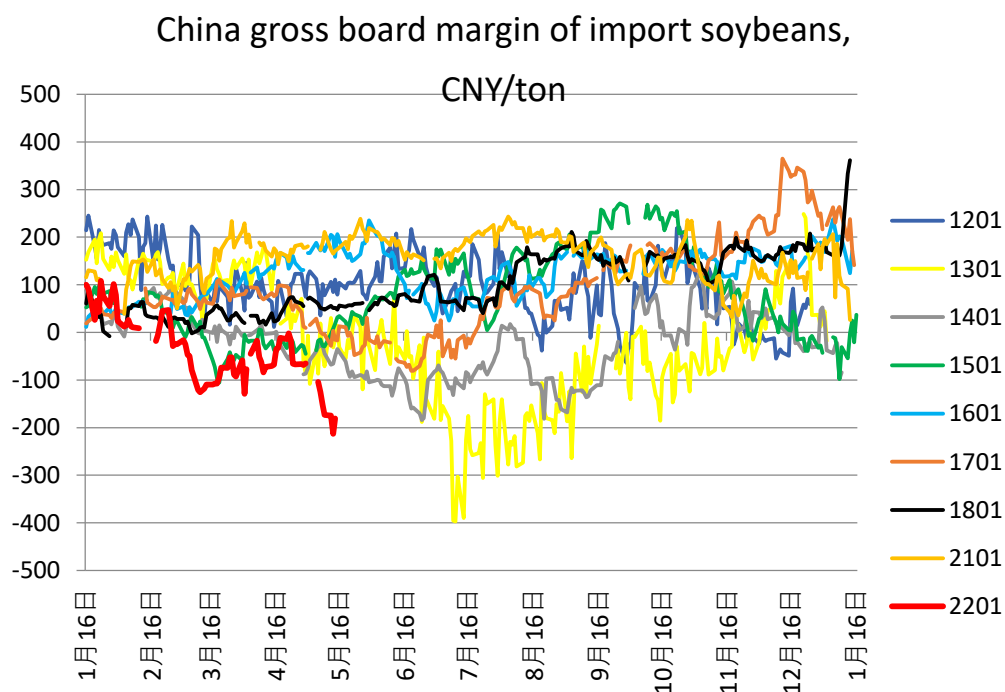
China Imp Million tons	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	5-Yr CAGR
Veg-meals	3.2	3.6	5.0	6.4	6.1	6.1	14%
Meat	3.2	2.7	3.2	5.2	9.1	8.8	22%
Veg-oils	8.0	8.6	11.4	12.6	13.0	13.6	11%
Oilseeds	98.4	99.3	86.7	102.7	104.6	107.3	2%
Feed grains	20.2	20.0	13.5	22.7	53.5	56.0	23%
Total	133.0	137.8	124.8	155.9	192.3	197.9	8%
Growth		3.6%	-9.4%	24.9%	23.3%	2.9%	

China Import Growth of Grains, Veg-oils, Meals and Meat all together (USDA, OCI)



3. Why China import up 25% in 2019/20, and +23% in 2020/21?

- ① 2016-2020 China **de-stocking** followed by **re-stocking**, eventually.
- ② 2018.08 African Swine Fever (**ASF**) delayed natural consumption growth.
- ③ 2020.1.15 **China-US Phase One Agreement** caused China over-buying of US soybeans, **pushed** both **China crushing margin** and **Brazil FOB** to **historical low level**



4. China Feedstuff and Livestock

-- numbers from CHINA FEED INDUSTRY ASSOCIATION

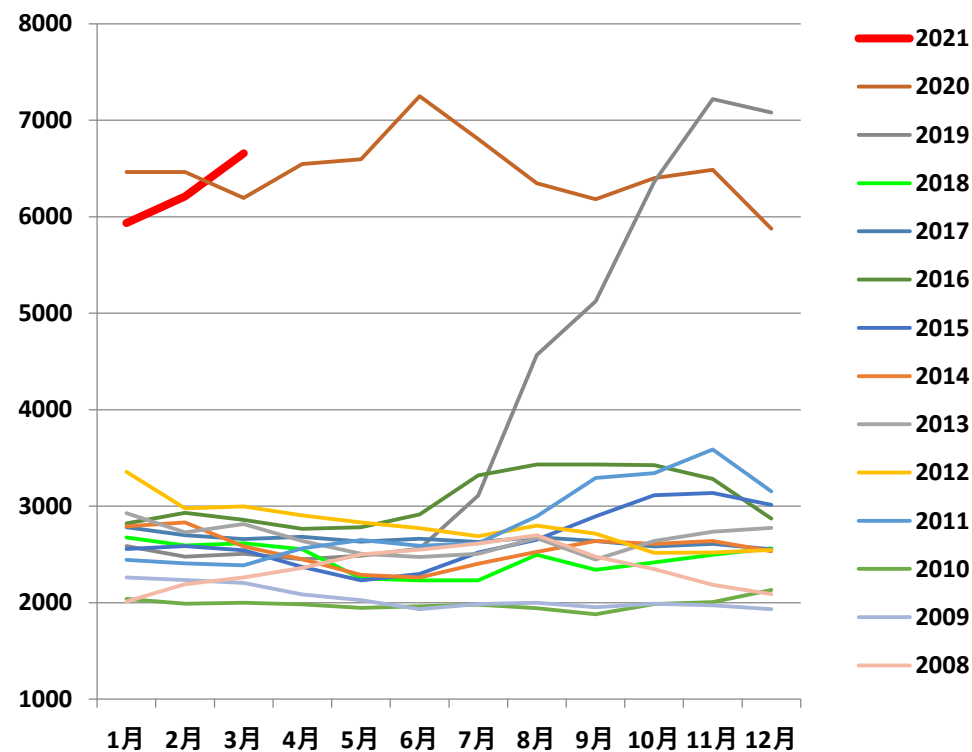
China Feed Production Jan-Apr'2021			
	000mt	Growth	Share
猪料Swine feed	41170	74.2%	46.5%
蛋禽料Layer feed	10470	-11.5%	11.8%
肉禽料Broiler feed	27000	-7.6%	30.5%
水产料Aquatic feed	4110	-0.5%	4.6%
反刍饲料Ruminant feed	4600	18.6%	5.2%
宠物饲料Pet feed	310	25.8%	0.4%
其它饲料	800	7.0%	0.9%
合计Total	88460	20.1%	100.0%

- Breeding Sows increased for 19 consecutive months in April, up 23% from last year, recovered to 97.6% of 2017 (pre-ASF) level.
- Number of Live Pigs is over 416 million heads, close to normal level.
- May 17th 2021, live pig cash price fell below CNY20/Kg.
- Pig farmers with own piglets, have CNY570/head margin, down 80.59% from early high this year.
- Pig farmers with outside piglets, lose CNY49.95/head, while the margin high early this year was CNY1803.56/head.

4.1 China Live pig prices:

Export price (left chart) is updated till Mar'2021,
 Future price (right chart) is till May17th, 2021

中国活猪出口价China live pig export price, USD/Ton



5.1 China **Corn** Import by Origin: 2 major origins

Corn 000 mt	106 缅甸 Myanmar	119 老挝 Laos	316 保加利亚 Bulgaria	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	502 美国 USA	TOTAL
2017	93	151	1	2	1,822	757	2,825
2018	101	139	0	39	2,930	312	3,521
2019	116	142	4	70	4,137	318	4,790
2020	121	133	261	138	6,298	4,342	11,294
2021Q1	6	6	0	35	3,192	3,487	6,727

Ukraine is losing share
to US

Corn %	106 缅甸 Myanmar	119 老挝 Laos	316 保加利亚 Bulgaria	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	502 美国 USA	TOTAL
2017	3%	5%	0%	0%	64%	27%	100%
2018	3%	4%	0%	1%	83%	9%	100%
2019	2%	3%	0%	1%	86%	7%	100%
2020	1%	1%	2%	1%	56%	38%	100%
2021Q1	0%	0%	0%	1%	47%	52%	100%

5.2 China Barley Import by Origin: 4-5 major origins

Barley 000 mt	145 哈萨克斯坦 Kazakhstan	302 丹麦 Denmark	305 法国 France	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	402 阿根廷 Argentina	501 加拿大 Canada	601 澳大利亚 Australia	TOTAL
2017	0	11	223	0	791	0	1,359	6,480	8,863
2018	0	1	574	0	382	0	1,680	4,178	6,815
2019	31	0	1,183	0	874	66	1,460	2,316	5,929
2020	140	10	1,759	6	2,263	392	2,018	1,492	8,079
2021Q1	34	9	504	20	443	266	1,111	0	2,388

%	145 哈萨克斯坦 Kazakhstan	302 丹麦 Denmark	305 法国 France	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	402 阿根廷 Argentina	501 加拿大 Canada	601 澳大利亚 Australia	TOTAL
2017	0%	0%	3%	0%	9%	0%	15%	73%	100%
2018	0%	0%	8%	0%	6%	0%	25%	61%	100%
2019	1%	0%	20%	0%	15%	1%	25%	39%	100%
2020	2%	0%	22%	0%	28%	5%	25%	18%	100%
2021Q1	1%	0%	21%	1%	19%	11%	47%	0%	100%

5.3 China **Wheat** Import by Origin: 5-6 major origins

Wheat 000 mt	145 哈萨克斯坦 Kazakhstan	305 法国 France	336 立陶宛 Lithuania	344 俄罗斯联邦 Russia	429 墨西哥 Mexico	501 加拿大 Canada	502 美国USA	601 澳大利亚 Australia	TOTAL
2017	301	0	0	18	0	523	1,555	1,899	4,296
2018	543	0	0	100	0	1,382	361	491	2,876
2019	398	481	197	47	0	1,663	236	183	3,205
2020	192	2,383	333	72	0	2,297	1,651	1,222	8,152
2021Q1	58	586	66	2	0	772	463	966	2,912

Wheat %	145 哈萨克斯坦 Kazakhstan	305 法国 France	336 立陶宛 Lithuania	344 俄罗斯联邦 Russia	429 墨西哥 Mexico	501 加拿大 Canada	502 美国 USA	601 澳大利亚 Australia	TOTAL
2017	7%	0%	0%	0%	0%	12%	36%	44%	100%
2018	19%	0%	0%	3%	0%	48%	13%	17%	100%
2019	12%	15%	6%	1%	0%	52%	7%	6%	100%
2020	2%	29%	4%	1%	0%	28%	20%	15%	100%
2021Q1	2%	20%	2%	0%	0%	27%	16%	33%	100%

5.4 China Soybean & Soybean Oil Import by Origin: Brazil is consistently No.1 among 10 major origins

Soybeans 000 mt	145 哈萨克斯坦 Kazakhstan	203 贝宁 Benin	217 埃塞俄比亚 Ethiopia	344 俄罗斯 Russia	347 乌克兰 Ukraine	402 阿根廷 Argentina	410 巴西 Brazil	444 乌拉圭 Uruguay	501 加拿大 Canada	502 美国 USA	TOTAL
2017	7	0	15	506	21	6,582	50,928	2,573	2,048	32,855	95,536
2018	17	0	18	818	1	1,464	66,082	1,199	1,792	16,640	88,031
2019	15	0	1	733	22	8,791	57,675	2,066	2,266	16,944	88,512
2020	7	15	24	693	65	7,456	64,277	1,657	245	25,888	100,327
2021Q1	0	75	6	197	35	101	1,347	31	253	19,132	21,177

Soybean oil 000MT	137 土耳其 Turkey	141 越南 Vietnam	145 哈萨克斯坦 Kazakhstan	340 白俄罗斯 Belarus	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	358 塞尔维亚 Serbia	402 阿根廷 Argentina	410 巴西 Brazil	502 美国 USA	TOTAL
2017	32.1	0.9	4.0	0.0	128.2	63.7	1.0	1.4	338.8	83.0	653.3
2018	17.1	1.2	1.5	12.0	196.8	61.5	0.0	126.7	196.6	0.4	614.3
2019	3.6	1.3	1.2	11.8	208.5	107.0	2.0	298.4	235.7	0.1	870.7
2020	7.1	1.5	1.4	34.3	224.5	97.4	1.4	370.9	210.8	20.0	972.2
2021Q1	2.0	0.4	0.0	8.1	53.1	11.0	1.6	74.5	5.5	10.6	167.3

5.5 China Rapeseed & Rapeseed meal import is mainly from Canada, China Rapeseed oil import origin is much more diversified

Rapeseed, 000 mt	124 蒙古 Mongolia	344 俄罗斯联邦 Russia	501 加拿大 Canada	601 澳大利亚 Australia	TOTAL
2017	116	64	4,514	55	4,749
2018	84	205	4,443	25	4,756
2019	58	188	2,357	134	2,737
2020	29	331	2,316	439	3,114
2021Q1	10	45	378	93	527

RSM, 000 mt	138 阿联酋 阿	145 哈萨克 斯坦	501 加拿大 加	601 澳大利 亚	TOTAL
2017	0	0	923	20	943
2018	0	0	1,275	24	1,299
2019	100	50	1,427	0	1,578
2020	334	46	1,497	8	1,886
2021Q1	71	0	378	4	453

RSO, 000 mt	137 土耳其 Turkey	138 阿联酋 United Arab Emirates	145 哈萨克斯坦 Kazakhstan	301 比利时 Belgium	303 英国 UK	304 德国 Germany	305 法国 France	340 白俄罗斯 Belarus	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	501 加拿大 Canada	601 澳大利亚 Australia	TOTAL
2017	0.1	2.6	8.7	0.0	3.8	0.3	2.6	0.0	19.3	7.9	669.7	41.1	756.7
2018	1.1	2.9	23.4	0.0	2.9	0.2	3.0	5.2	81.1	37.0	1,127.3	11.2	1,295.6
2019	4.4	204.2	59.8	18.7	8.0	0.1	2.7	33.2	152.8	116.4	963.4	49.4	1,614.6
2020	0.1	362.2	33.6	29.8	7.5	19.7	68.6	19.5	217.3	62.0	1,034.1	72.7	1,929.4
2021Q1	0.0	114.3	0.0	4.8	2.8	16.6	6.3	23.4	104.1	6.6	381.5	18.1	693.4

5.6 China Sunflower oil & meal Import by origin

SFO 000 mt	137 土耳其 Turkey	145 哈萨克斯坦 Kazakhstan	312 西班牙 Spain	316 保加利亚 Bulgaria	344 俄罗斯 Russia	347 乌克兰 Ukraine	402 阿根廷 Argentina	TOTAL
2017	3	27	3	0	121	584	5	745
2018	2	27	2	0	214	449	6	702
2019	4	36	3	1	317	866	0	1,228
2020	9	45	3	4	736	1,152	3	1,954
2021Q1	2	4	0	3	141	351	0	501

SFM 000 mt	145 哈萨克斯坦 Kazakhstan	316 保加利亚 Bulgaria	344 俄罗斯联邦 Russia	347 乌克兰 Ukraine	TOTAL
2018	10	0	0	382	392
2019	6	0	0	1,439	1,446
2020	20	50	3	2,116	2,189
2021Q1	1	25	4	580	610

5.7 China Sorghum & Peas Import by Origin

Sorghum 000 mt	106 缅甸 Myanmar	402 阿根廷 Argentina	502 美国 USA	601 澳大利亚 Australia	TOTAL
2017	2	0	4,605	292	4,899
2018	4	1	3,368	433	3,806
2019	12	140	601	82	835
2020	11	441	4,257	104	4,813
2021Q1	5	52	1,937	48	2,042

Peas 000 mt	303 英国 UK	305 法国 France	501 加拿大 Canada	502 美国 USA	601 澳大利亚 Australia	TOTAL
2017	5	0	1,196	58	27	1,286
2018	5	30	2,020	12	14	2,081
2019	3	12	1,969	13	4	2,001
2020	4	47	2,727	125	2	2,906
2021Q1	2	2	663	38	5	709

6. China Food security and state policy

Mr. Lester Brown's book *Who Will Feed China* in 1995, was 26 years' old.

Today, **Food security, to me, is purely a man-made "issue" or "topic" or "story" of money, not security, because:**

- 35% corn is burned in US
- 46% soybean oil is burned in US
- 75% rapeseed oil is burned in EU
- 46% soybean oil is burned in Brazil
- 20% soybean oil is burned in Argentina
- 20% palm oil is burned in Indonesia

Also, worldwide potentiality of grain production in an industrial way is huge

China's State Policies include:

- To strictly protect farmland, as always
- To develop high yield seed, newly stressed
- To publish Anti-food Waste Law (2021.4.29)

Industry ideas include:

- To diversity supply sources
- To change pricing mechanism, so as to pay more to farmers, not to Wall Street
- To go back to traditional oriental diet (less meat, more grain and vegetables)

7. China-US relations: No matter what we do, **Mother Nature is working its own way**: To live together, in A Community of Shared Future for Mankind



Dark & Light

Soft & Hard



Rough & Smooth

Solid & Liquid





OCI Public WeChat

OCI, team of 7, started in 2004

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Grain & Ocean Freight broker

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OCI-Jeffrey Soy Complex
Research → PUOKE

THANK YOU!