



United States Department of Agriculture

Slowing Economy: Effect on China's Agricultural Imports

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Chinese port celebrates first shipment of corn from Ukraine

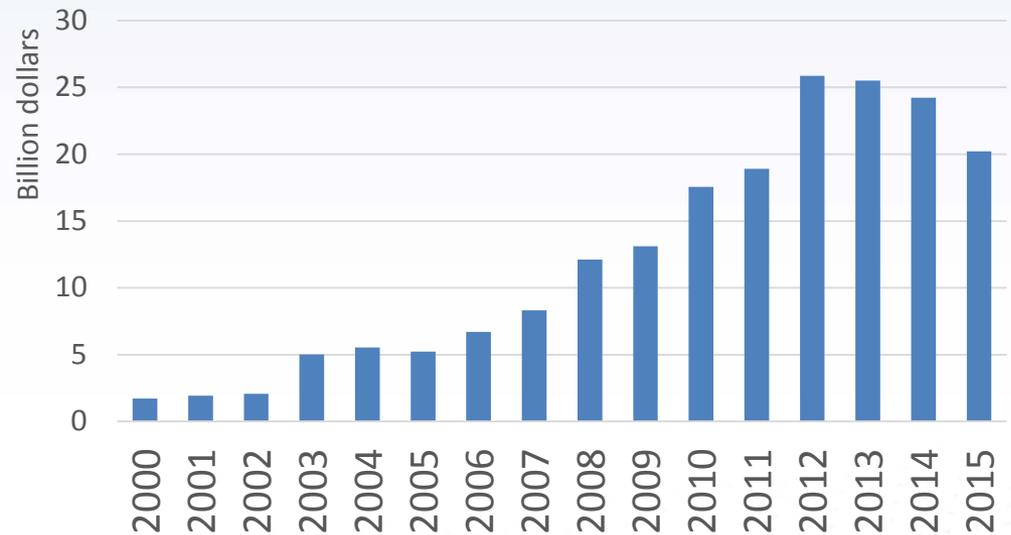


U.S. agricultural exports to China fell 16% in 2015

Major Products	2014-15 change in value (percent)
Soybeans	-27
Hides & Skins	-15
Cotton	-22
Dairy Products	-35
Pork Products	-10
Poultry	-84
Sorghum	+44
Distillers Grains	+27
Corn	+56
Other feeds	+5
Hay	+28
Tree Nuts	+9
Fresh Fruit	+37
Ethanol (non-bev.)	+1,494

Note: calendar years.

Agricultural Exports to China

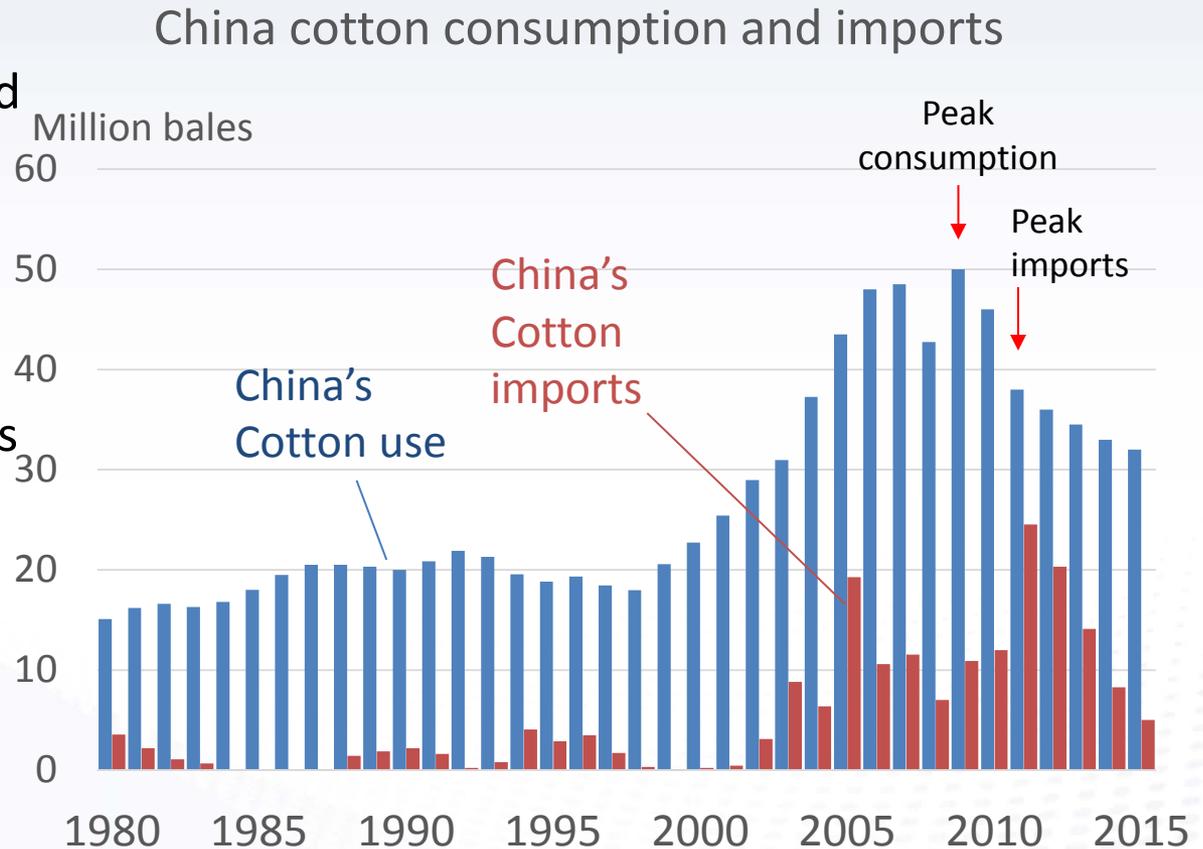


Source: ERS analysis of USDA/FAS Global Agricultural Trade System data.



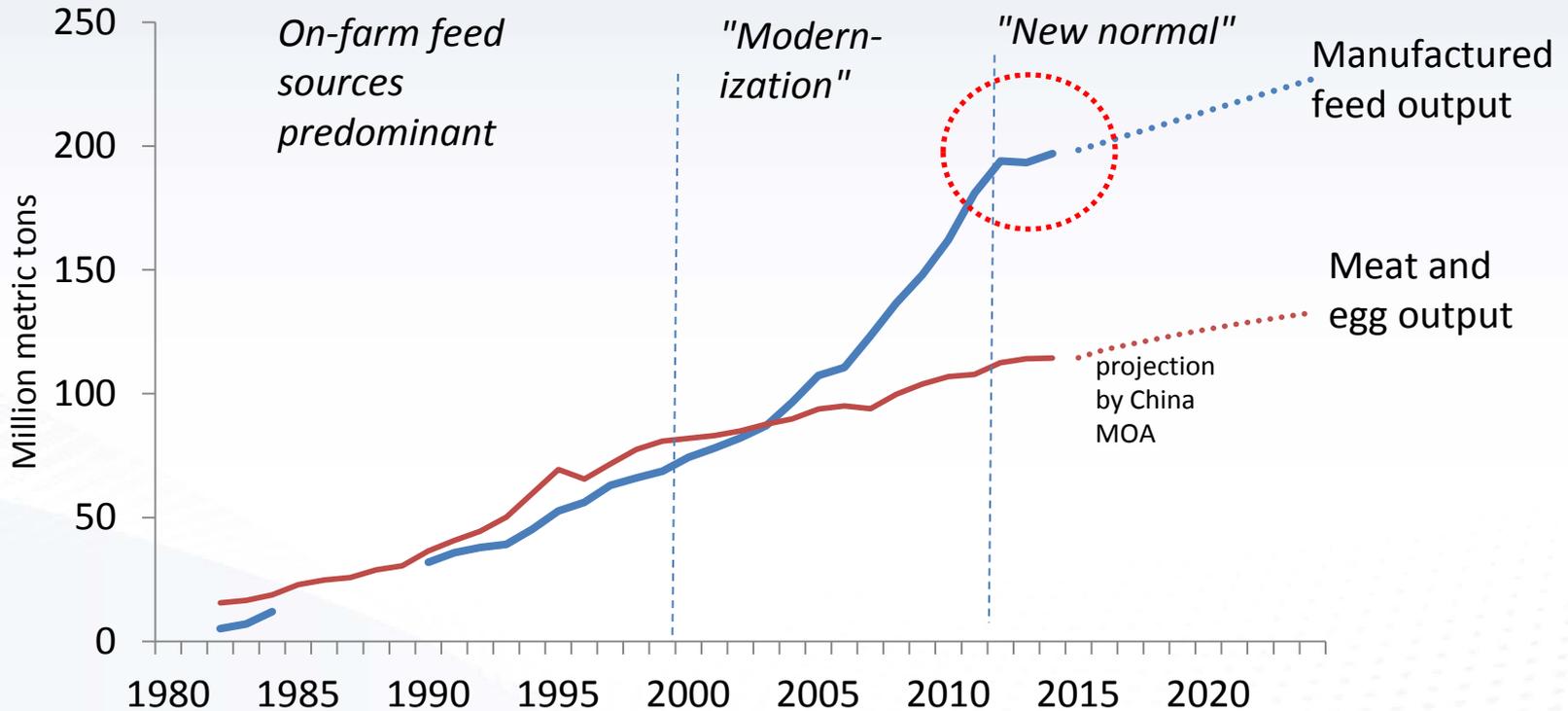
Cotton: China's slowing demand and policy-driven imports created a stockpile that needs to be digested

- China's cotton consumption peaked in 2009/10
- China's cotton imports peaked in 2011/12
- Both are declining as China tries to digest a 2-year supply of cotton in inventory



China feed industry output reflects slow-down

China feed, meat and egg output, 1982-2024



Source: ERS analysis of China Ministry of Agriculture projections and data from China National Bureau of Statistics.



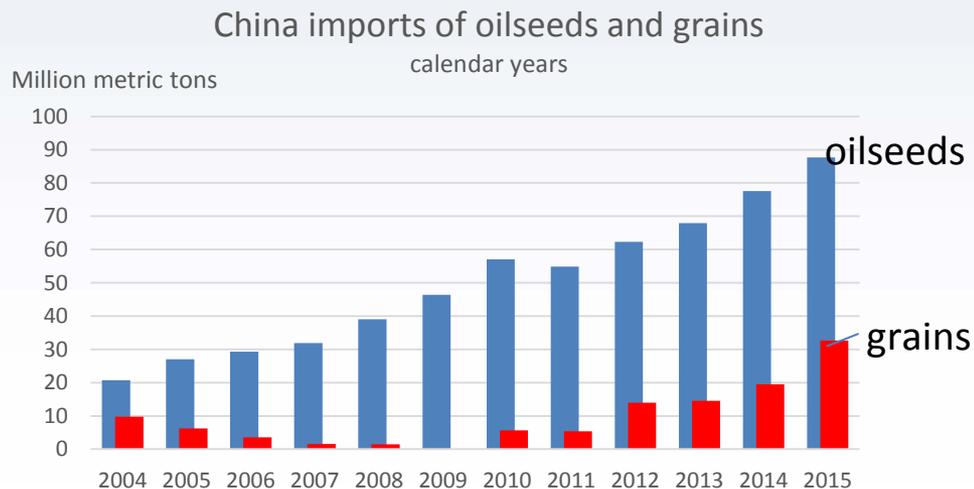
Puzzle: China's import volume of many commodities has *accelerated* as the economy slowed

Calendar year 2015:

- Oilseed imports were up 13% by volume
- Grain imports up 68%
- Beef imports up 58%
- Pork imports up 38%

Demand for high-end foods:

- U.S. salmon up 17%
- U.S. cod fish up 19%
- U.S. cherries up 28%



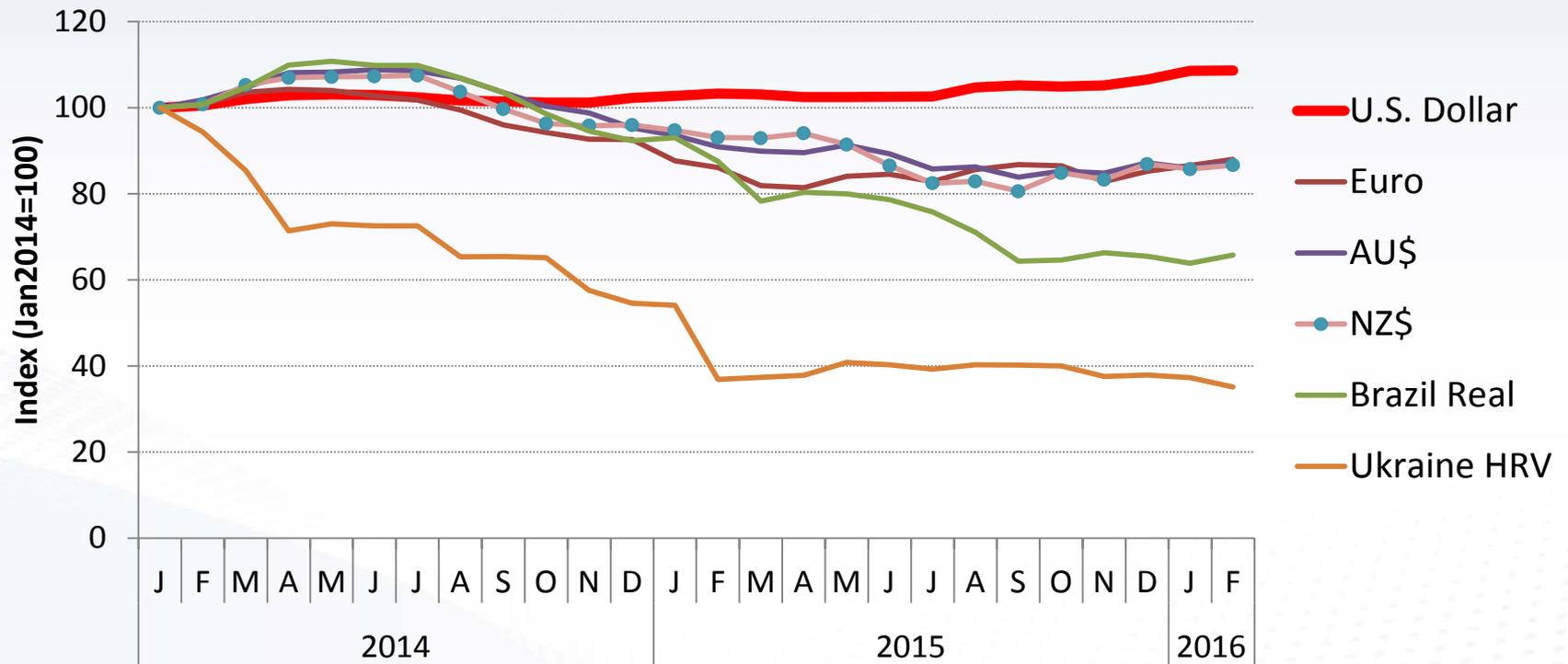
Source: ERS analysis of China customs data.



Depreciation of competitor currencies against the dollar erodes U.S. market share in China for some commodities

Currency values vs. Chinese Yuan, 2014-16

US\$ appreciated, other currencies depreciated against Yuan



Source: ERS calculations using data from Federal Reserve Bank of St. Louis.



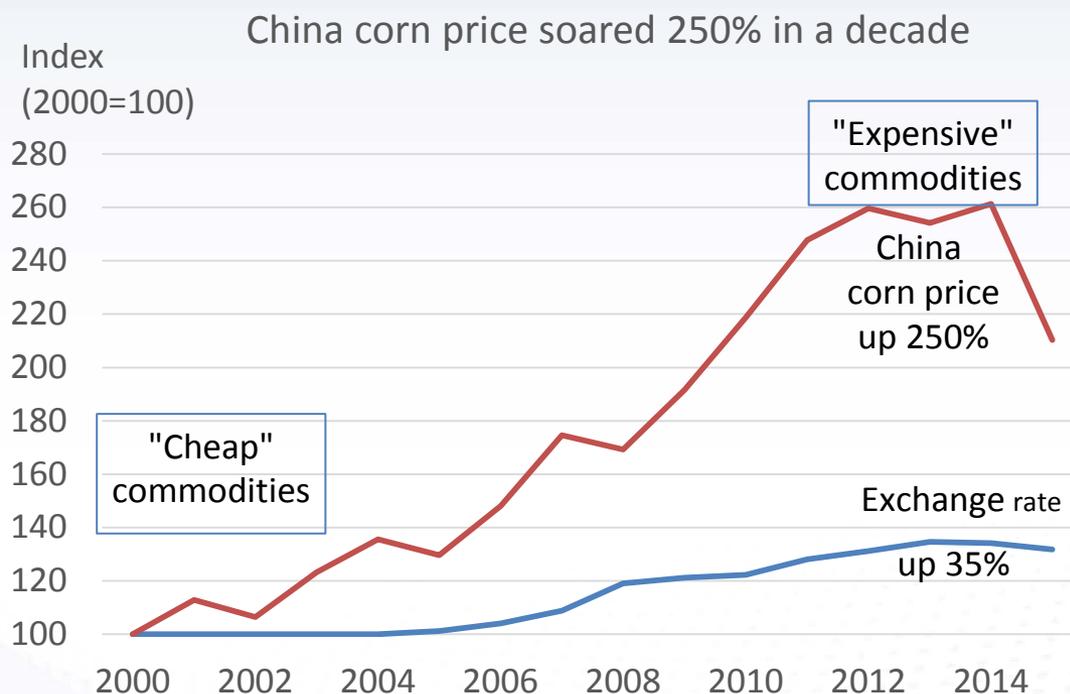
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China's predicament:

Its commodities have flipped from cheap to expensive

Stockpiles are high after trying to prevent prices from falling

- Exchange rate **appreciated 35%** against dollar, 2000-14
- China's farm prices **doubled** in Chinese currency.
- By comparison, CPI rose only 40%
- Global prices have **fallen** since 2013

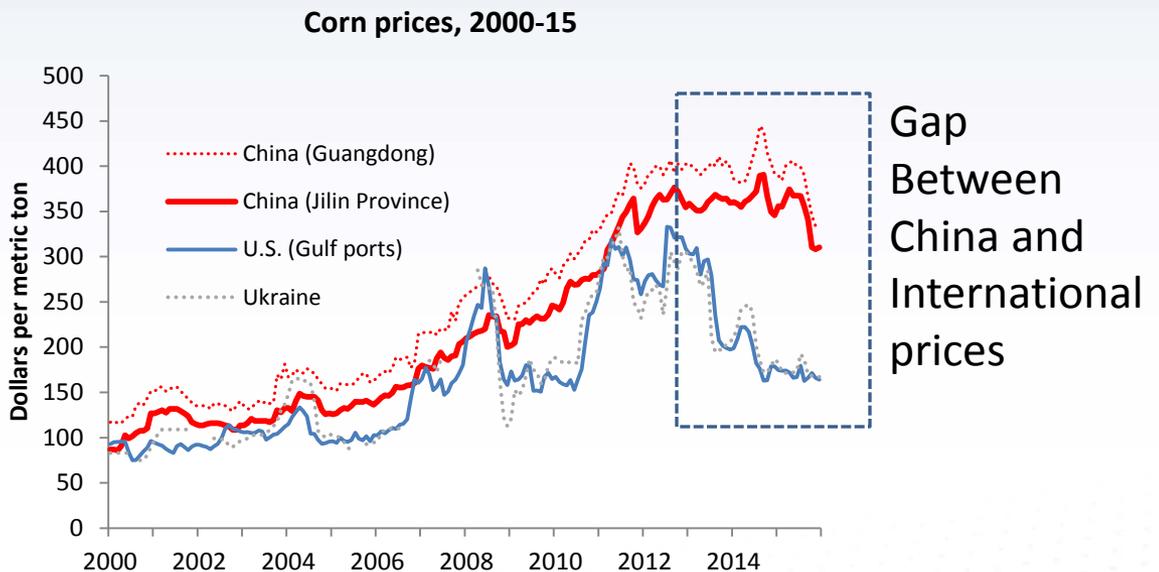


Source: ERS analysis of China farm price data from China Development and Reform Commission and exchange rate.



In China, it's all about the price

- Chinese authorities tried to insulate their market from falling farm prices since 2013
- Domestic prices are now 25%-40% higher than import prices
- Quotas limit some imports, but not all

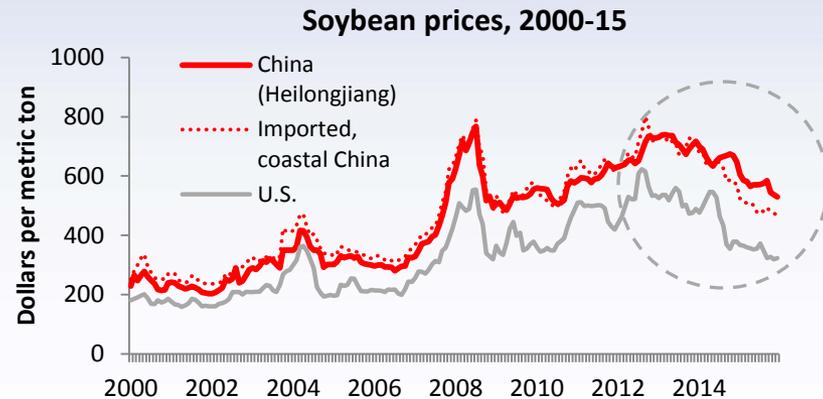


Source: ERS analysis of data from China National Grain and Oils Information Center and USDA.

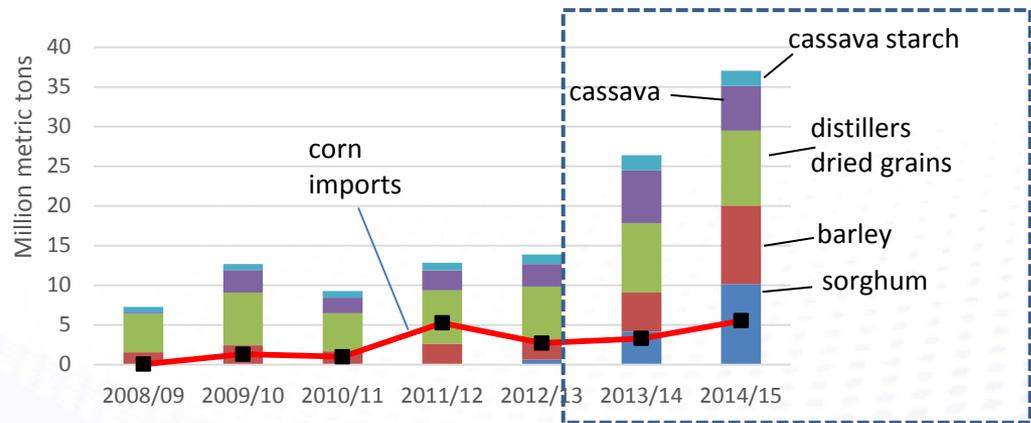


Chinese officials cannot fully insulate Chinese prices from the world market

- China's demand for soybeans boomed as world prices fell
 - imports displace domestic soybeans and other protein feeds
- China's imports of substitutes for corn boomed
 - Displaced domestic corn and feed-grade wheat/rice, purchased by government



China imports of corn substitutes



Source: ERS analysis of China customs statistics.



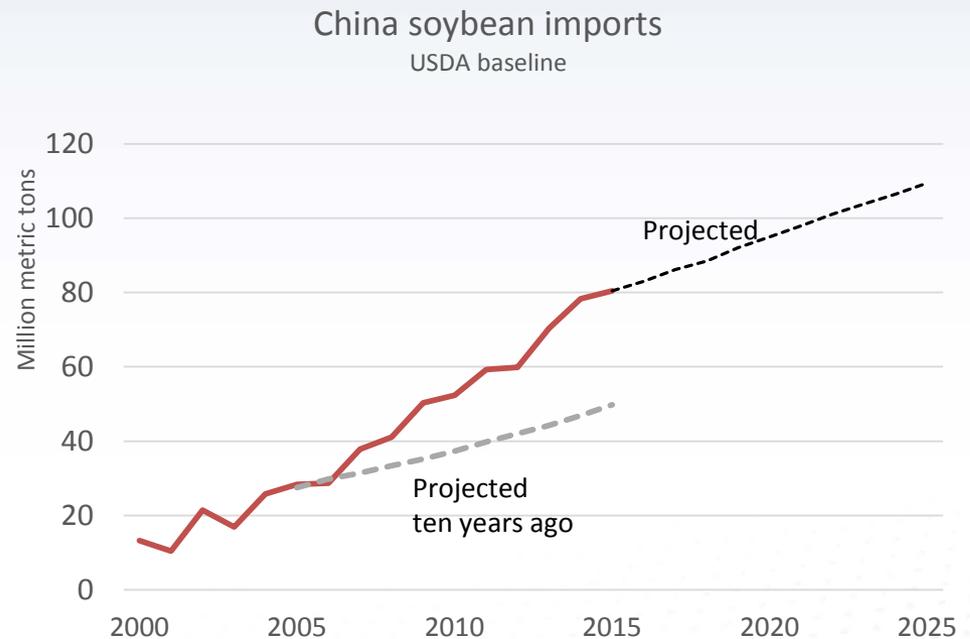
Near-term outlook

- China grain and cotton imports slow as Chinese authorities seek to dispose of stockpiles
 - Allow internal prices to decline
 - Limit imports when possible
 - Subsidize processors?
- Oilseed imports remain strong
 - China's soybean production may rebound slightly
 - Domestic supply of rapeseed and cottonseed plunging
- Import demand for meats strong
 - High grain prices mean high production costs for livestock
 - Environmental concerns constrain livestock production
- High value of the U.S. dollar versus competitor countries remains a disadvantage for U.S. exports



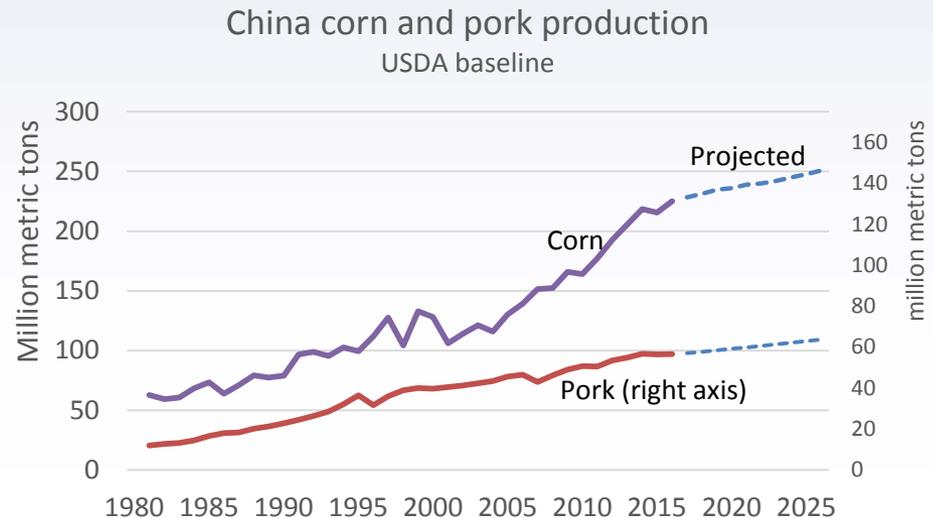
China remains the predominant soybean importer

- USDA underestimated China's soybean imports 10 years ago
- USDA now projects growth in imports to near 110 mmt in 2025



Moderate growth in corn and pork consumption/production

- China's pork and corn production will grow moderately
- Corn imports recover after inventories are reduced, reach 6 mmt 2025
- Pork imports projected to be about 2% of consumption



10-year outlook

- Robust demand
 - income growth, urbanization, consumption patterns shaped by new habits, preferences and prices
- Supply depends on an ambitious makeover for Chinese agriculture
 - A new “great leap” to capital-intensive, high-tech farming faces institutional obstacles
 - Environmental and resource protection constrain production
- Markets for a new era
 - e-commerce
 - upgrading inspection/quarantine to accommodate increased trade
 - Overseas investment by Chinese companies to procure food supply, technology, and attain geopolitical objectives
 - Conflict between rigid “food security” concerns and flexibility needed for modern food market





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China's Growing Demand for Agricultural Imports

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USDA reports *China's Growing Demand for Agricultural Imports*

Development of China's Feed Industry and Demand for Imported Commodities

“U.S. Agricultural Trading
Relationship With China Grows,”
Amber Waves magazine

“Get Ready for Chinese Overseas
Investment in Agriculture,” *Choices*
magazine

