

Reported by Multigrain Europe

China

Rice outlook

Production

Rice acreage and production both dropped in MY 2002. Despite better growing conditions for late rice, decreased planted area for early rice in Southern China brought down the nation's total rice output. Rice production has been in decline for five years in a row since it peaked in MY 1997. This represents a total drop of over 10 percent. The drop is mainly a result of changes in government policy. Since the late 1990s, as part of national grain policy reforms, local governments have gradually lowered procurement prices to discourage farmers from producing too much rice. The average support price has dropped every year from MY 1997 to MY 2001. Further, low-grade early rice varieties in Southern China have not been eligible for government procurement at all since 2000. Government procurement policies now only cover late rice varieties in Southern China and Japonica rice of better quality in Northeast China. Also, recently, in coastal prosperous provinces such as Guangdong and Zhejiang, the Government has freed farmers from providing government grain bureaus with yearly grain quotas. They can now pay cash instead of grain for taxation.

To fit this new market situation, rice farmers have to improve crop quality, or shift to more profitable crops for better economic returns. This not only helps to cut China's excessive grain production but also improve, overall regional production and consumption efficiency.

This trend should continue in MY 2003 as no reversal in the Government's overall policy is expected. However, given how much production has already dropped, MY2003's decrease in rice should be smaller than in recent years.

Consumption and Stocks

Demand for human use of rice continues weak. Since the early 1990s urban consumption has dropped significantly. Much of this can be attributed to the Government phasing out programs subsidizing urban grain consumption in the middle 1990s. However, people in the cities are also modifying their diet as incomes increase. The proportion of the diet that is staples continues to decline. However, people in the countryside have not changed their consumption patterns as much. Official statistics show that per capita consumption has dropped by only five percent over the past 10 years. Population increases counteract this to an extent, but at best consumption seems likely to remain flat in coming years.

This drop in consumption, and the change in government production policy already discussed, led to large stocks in the late 1990s. It is difficult to say for sure, since stock and consumption numbers are not published, but production is probably now falling short of domestic consumption. This seems particularly likely when one considers that rice feed use has probably increased. This has allowed the Government to scale down the amount of state grain stocks by reducing purchases and by auctioning low-grade rice at low prices. These auctions are likely a prime source of rice for feed use. However, despite significant declines, rice stock remains large. The Government does not like to release stocks too quickly for fear of unduly hurting prices. Barring a very bad crop, or a drastic change in the world market, this scenario seems set to continue for the next year or more.

Trade

China Custom's figures show that China's imports of rice in calendar year 2002 dropped by nearly 20 percent to 240 TMT. Nearly all rice imports are Thai fragrant rice. Thai fragrant rice is mostly consumed in Southern China. Demand elsewhere is limited. Many locally bred fragrant rice varieties are finding their way onto the domestic marketplace. As quality of domestic rice varieties improves, Thai rice is becoming less competitive. Accordingly, the full tariff-rate quota for rice imports was far from being filled in 2002. Traders expect this anemic import volume for Thai fragrant rice to continue in 2003, if, as they expect, the current gap between Thai and local fragrant rice prices continues.

China expected that entering the WTO might help China's Japonica rice exports to Japan and South Korea. However, tough competition from other rice-exporting countries and limited market demand has curbed such expansion. In fact, the majority of China's rice exports in 2002 remained of average grade and went to African countries as in past years. No change in this market situation is foreseen for the near future.

Trade in figures per Imports

2002 MY ended up showing Thailand as biggest source of 232'484 mt. It is followed by Taiwan with 5'000 mt, Laos 200 mt, Myanmar 150 mt, Hong Kong 28 mt. 3 mt were imported from Netherlands, 2 mt from Germany, while US, Philippines and Vietnam did not conclude business with China in MY 2002.

In contrary Indonesia and Japan MY 2002 are on Buyers list for Chinese rice.

Exports figures show Ivory Coasts as biggest consumer of Chinese rice – with 739'676 mt. Followed by Indonesia with 243'349 mt, Russia – 217'348 mt, Cuba – 216'282 mt, Japan – 101'625 mt, North Korea – 73'130 mt, South Korea – 70'775 mt, Libya – 62'998 mt, Kazakhstan – 44'884 mt. All other countries are showing 213'042 mt exported quantity.
In total – we have 1'983'109 mt.

Harvested Area in figures (figures in 1000/HA / 1000 MT)

Market Year	Revised 01/2002	Preliminary 01/2003	Forecast 01/2004
Area harvested	28812	27450	27200
Beginning Stocks	94120	82071	67509
Milled production	124306	121198	120000
Rough production	177580	173140	171429
Milling rate (,9999)	7000	7000	7000
Total imports	238	240	240
Jan-Dec Imports	238	240	240
Jan-Dec imports US	0	0	0
Total supply	218664	203509	187749
Total exports	1983	2000	2000
Jan-Dec exports	1983	2000	2000
Total domes.cons.	134610	134000	134000
Ending stocks	82071	67509	51749
Total distribution	218664	203509	187749

Average Wholesales Market Rice Prices
(Per Metric Tone USD 1.00 = RMB 8,27)

Month	Production area – Zhejiang	Sales area – Beijing, Hubei
Dec 2001	1,782	2,095
Jan 2002	1,727	2,095
February	1,720	2,120
March	1,756	2,095
April	1,735	2,095
May	1,759	2,095
June	1,765	2,095
July	1,756	2,120
August	1,785	2,120
September	1,783	2,120
October	1,738	2,075
November	1,738	2,100
December	1,738	2,100

Source: China National Grain and Oils Information Center