



1ST EUROPEAN SORGHUM CONGRESS

WORKSHOP

DYNAMISM IN INTERNATIONAL SORGHUM TRADE

SORGHUM TRADE BETWEEN THE USA AND CHINA



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BUCHAREST
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SORGHUM BALANCE IN CHINA

MAJOR PRODUCING AREA OF SORGHUM

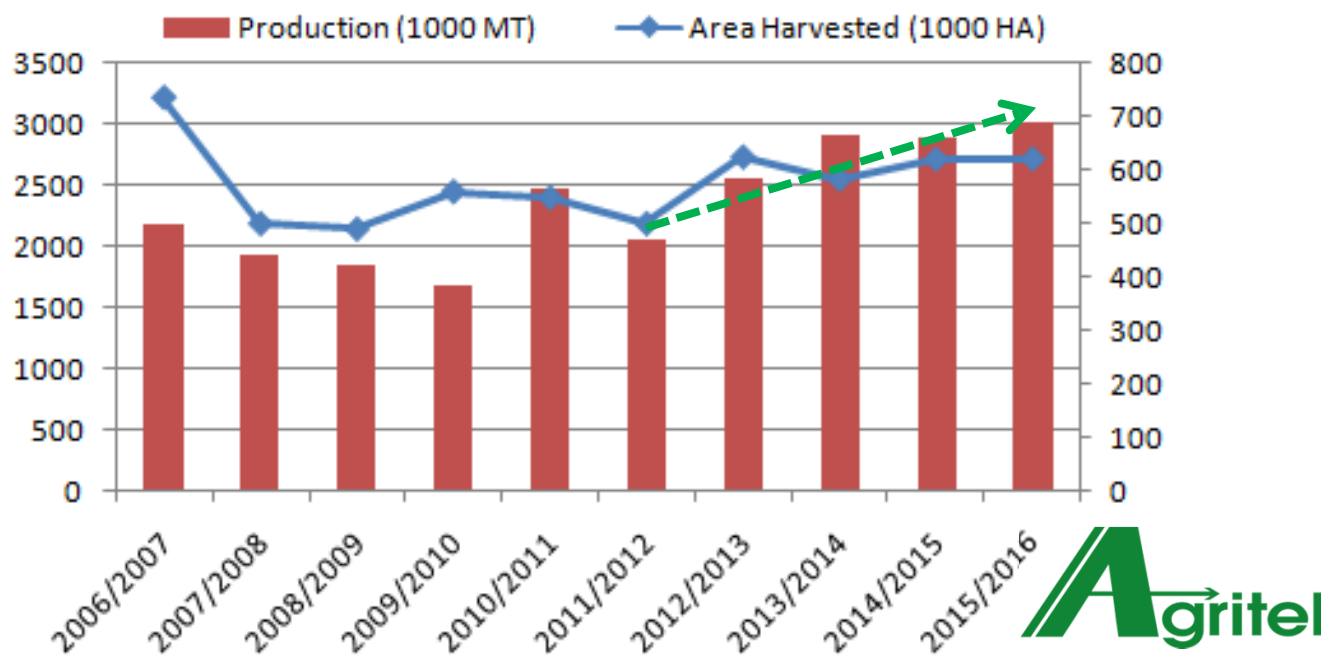


More than 60% of national production



SORGHUM BALANCE IN CHINA

PRODUCTION EVOLUTION SINCE 2006/2007

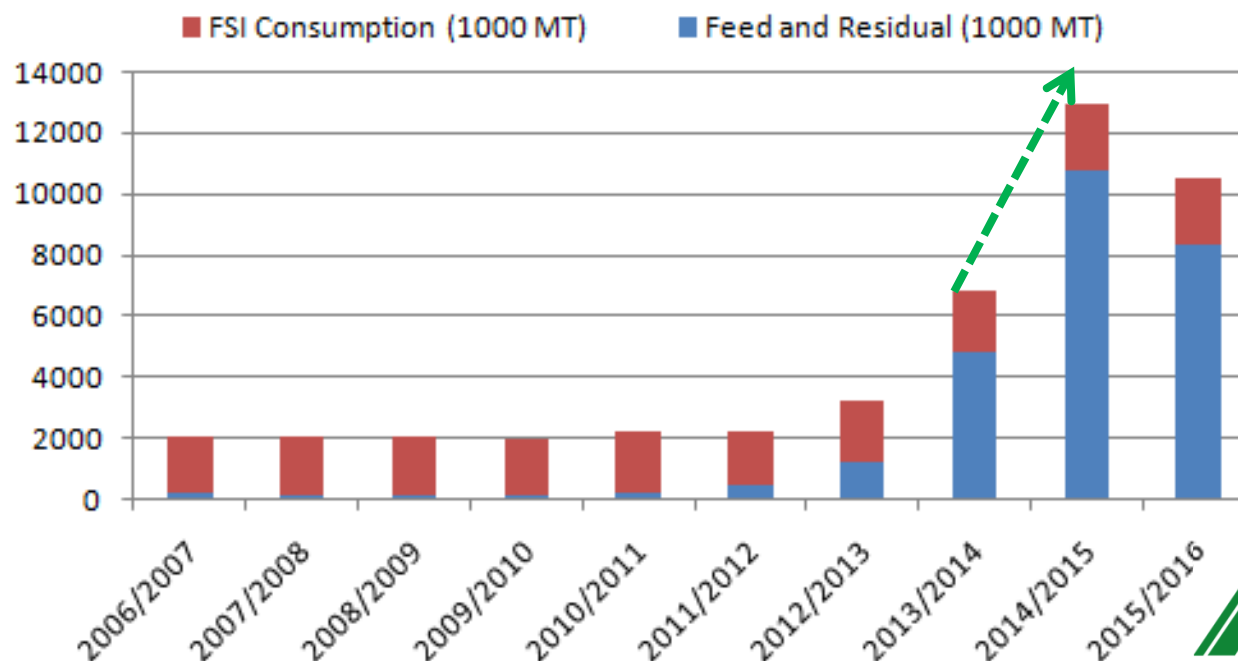


- Harvested area increased by 24% during the period of 2011-2015.
- Production progressed by around 50% (2011-2015).



SORGHUM BALANCE IN CHINA

CONSUMPTION EVOLUTION SINCE 2006/2007

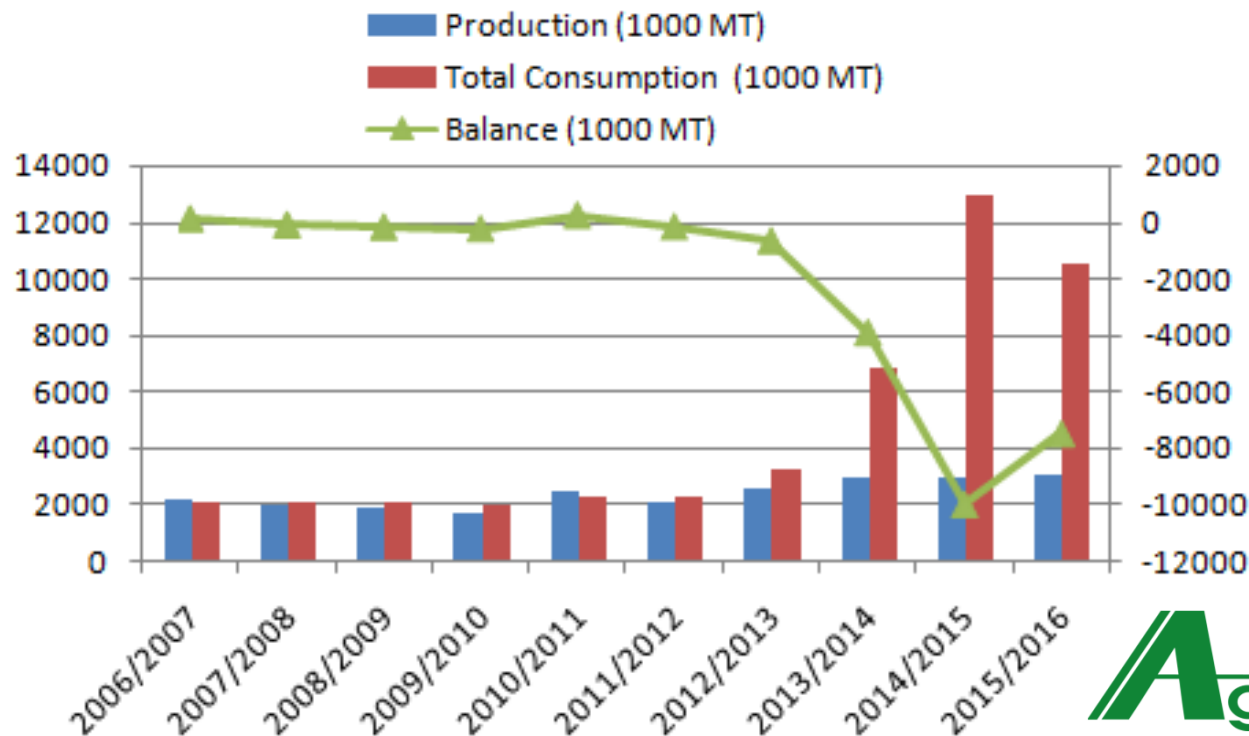


- Annual sorghum usage in the food sector stabilizes at around 2 Mt.
- Utilization of sorghum in feed sector jumped sharply since 2013/14.



SORGHUM BALANCE IN CHINA

BALANCE EVOLUTION SINCE 2006/2007

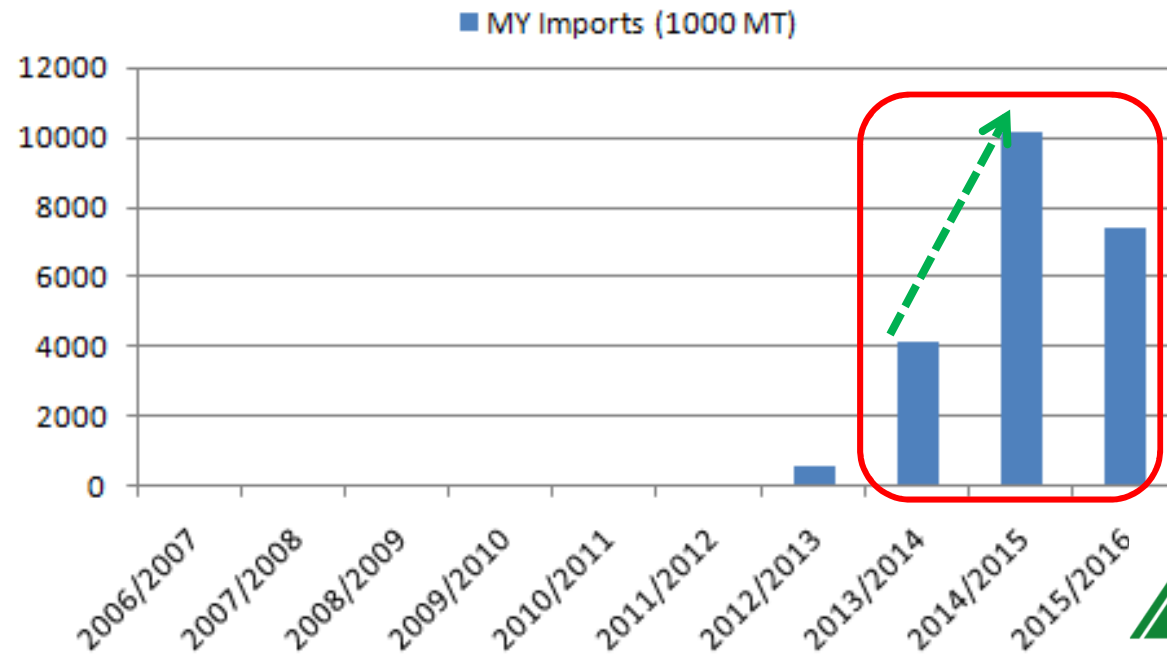


- Chinese sorghum market stayed balanced before 2013.
- Market started to show net deficit since 2013/14 due to a significant increase of demand from the feed sector.



FOCUS ON CHINA SORGHUM IMPORT

CHINA SORGHUM IMPORT TOOK OFF IN 2013

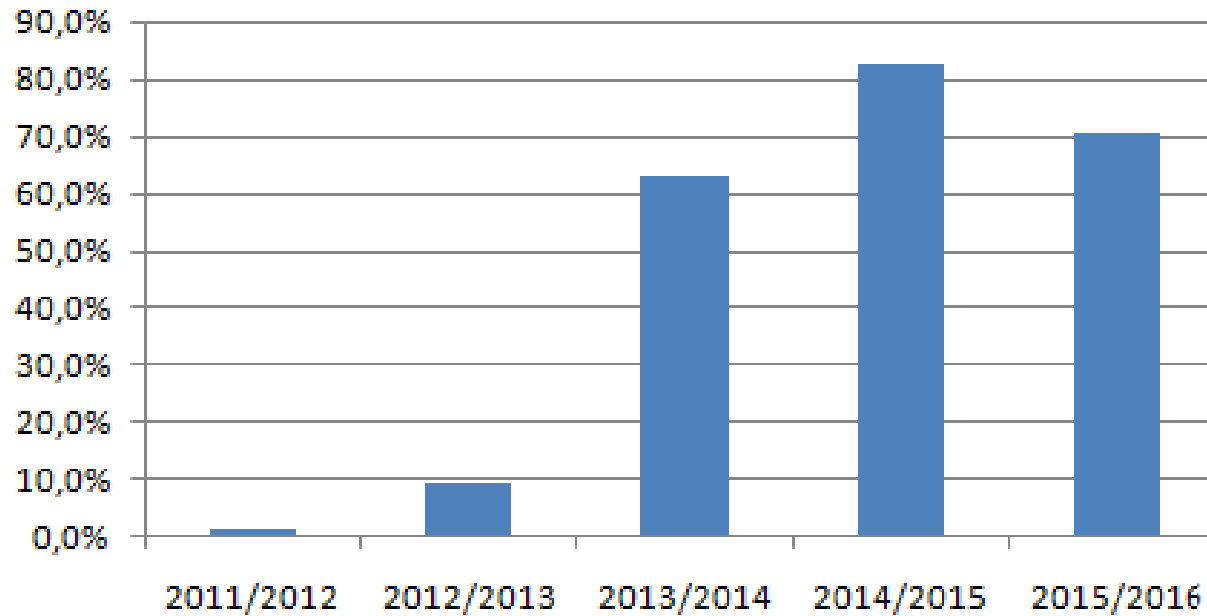


- China had limited presence on world sorghum trade before 2013.
- China sorghum import exploded between 2013-2015!



FOCUS ON CHINA SORGHUM IMPORT

China import/world import (%)



- **China has become the world top sorghum importer since 2013/14.**

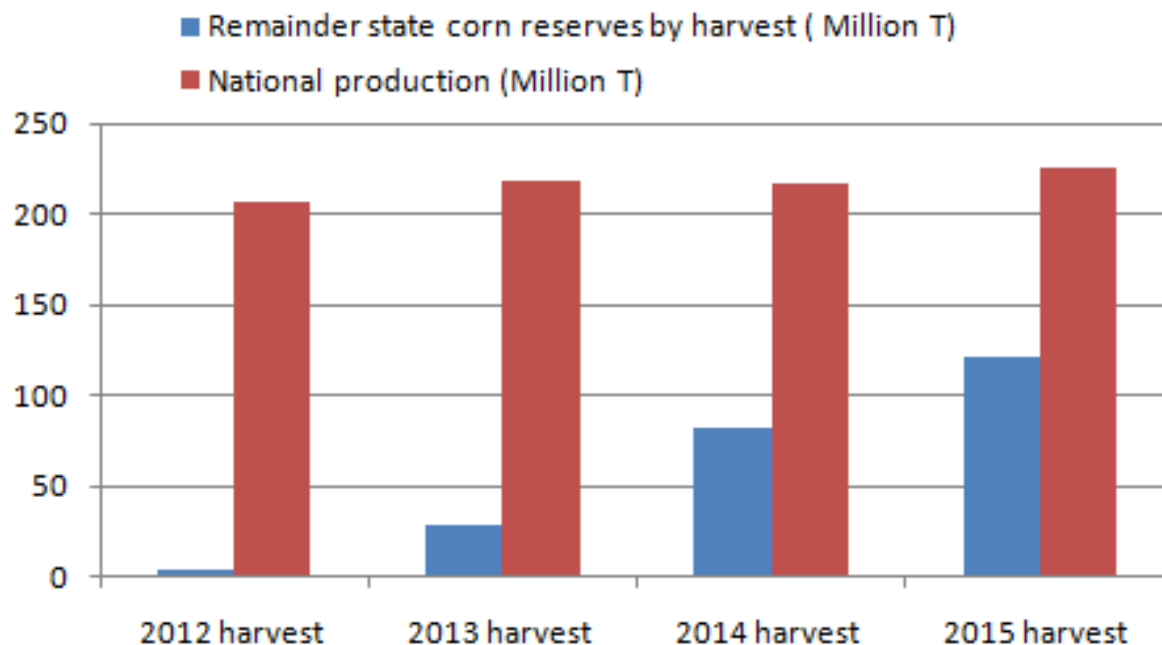


REASONS TO IMPORT RALLY

WAS THERE A LACK OF FEED GRAINS?

FOCUS ON CORN STOCKS IN CHINA

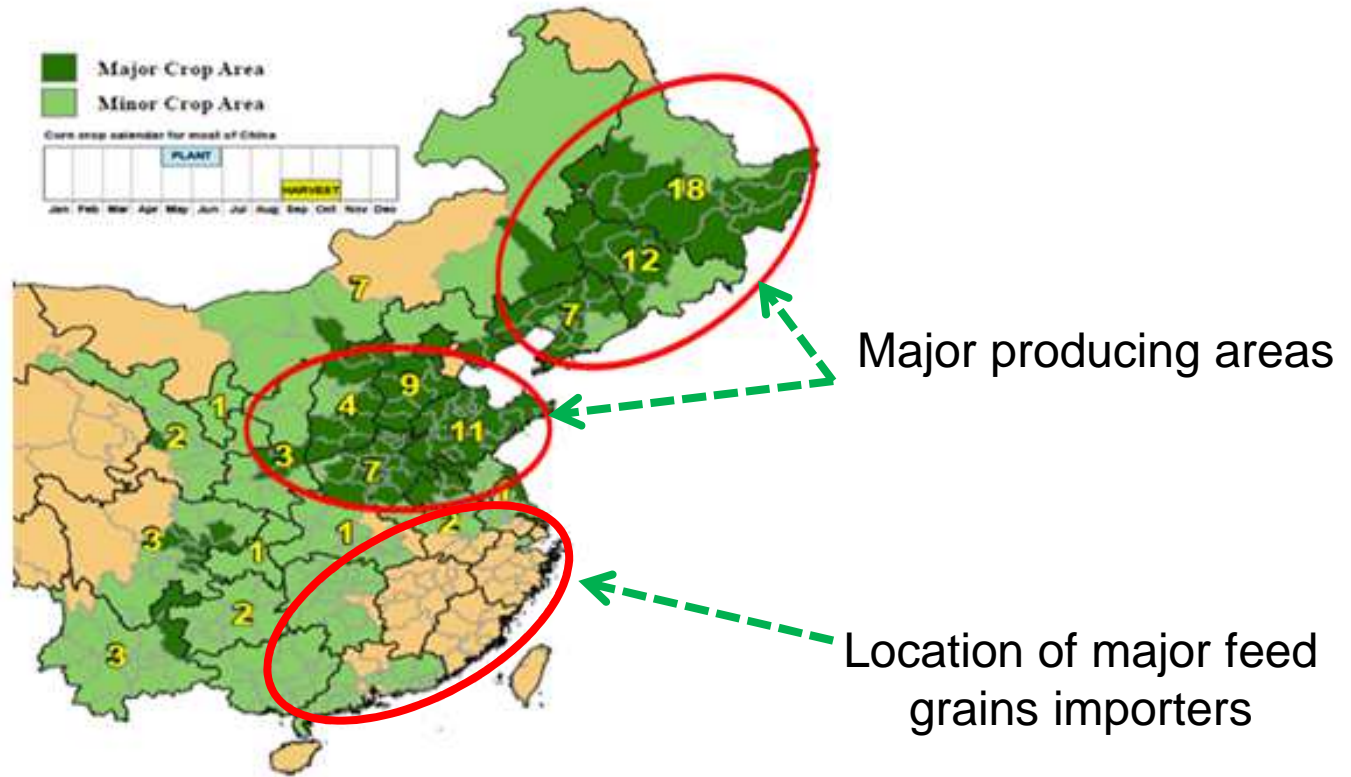
No!



- At current stage, there remain more than 200 Mt of state corn reserves.

REASONS TO IMPORT RALLY

MAJOR PRODUCING AREAS OF CORN



- The great part of state corn reserves is located in the north of China while major feed grains importers are in the south.



REASONS TO IMPORT RALLY

MECHANISM OF GRAINS PRICE IN CHINA

Harvest	Rice	Wheat	Corn
	Floor price (CNY/t)	Floor price (CNY/t)	Floor price (CNY/t)
2004	1440		
2005	1440		
2006	1440	1440	
2007	1440	1440	
2008	1520	1540	1500
2009	1840	1740	1500
2010	1940	1800	1800
2011	2140	1900	1980
2012	2540	2040	2120
2013	2700	2240	2240
2014	2760	2360	2240
2015	2760	2360	2000
2016	2760	2360	No more floor price



- In China, floor prices fixed by the government play the role of reference for domestic grains price.
- Floor price on corn : firmness before 2014; first cut in 2015; end of this policy in 2016.

REASONS TO IMPORT RALLY

COMPARISON OF WORLD CORN PRICE



- **Phase I (mid 2012- mid 2015): firmness of China corn price VS tumbling world corn price**
- **Phase II (since mid 2015): net drop of corn price in China**



REASONS TO IMPORT RALLY

GRAINS IMPORT QUOTA IN CHINA

Grain tariff rate quota allocation (t)					
Commodity	Quota	Private share	State enterprise share	Tariff rate within the quota	Tariff rate out of quota
Wheat	9 636 000	10%	90%	1%	65%
Corn	7 200 000	40%	60%	1%	65%
Rice	5 320 000	50%	50%	1%	65%

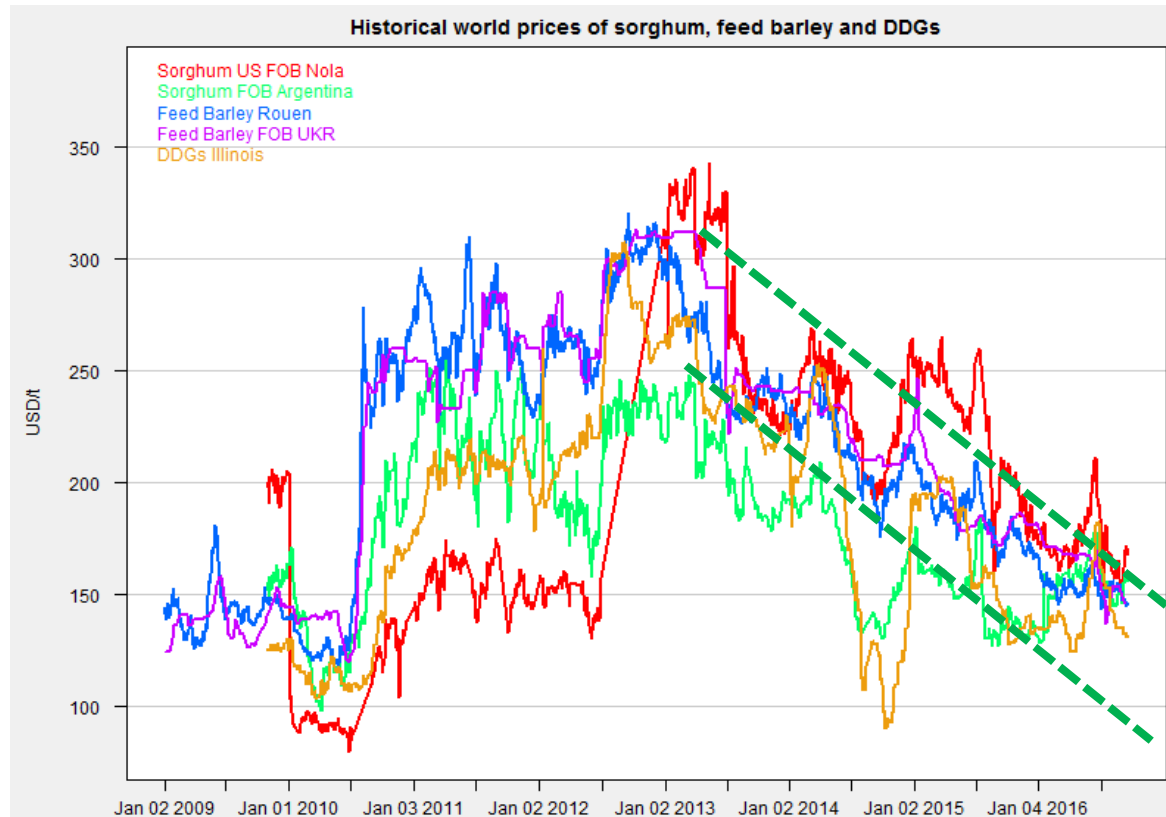


- **Import of major grains is still controlled by the government (under the import quota system).**
- **In addition, a major part of import quota on wheat and corn is allocated to state-owned companies.**



REASONS TO IMPORT RALLY

PRICE OF MAJOR GRAINS NON-SUBJECT TO IMPORT QUOTA IN CHINA

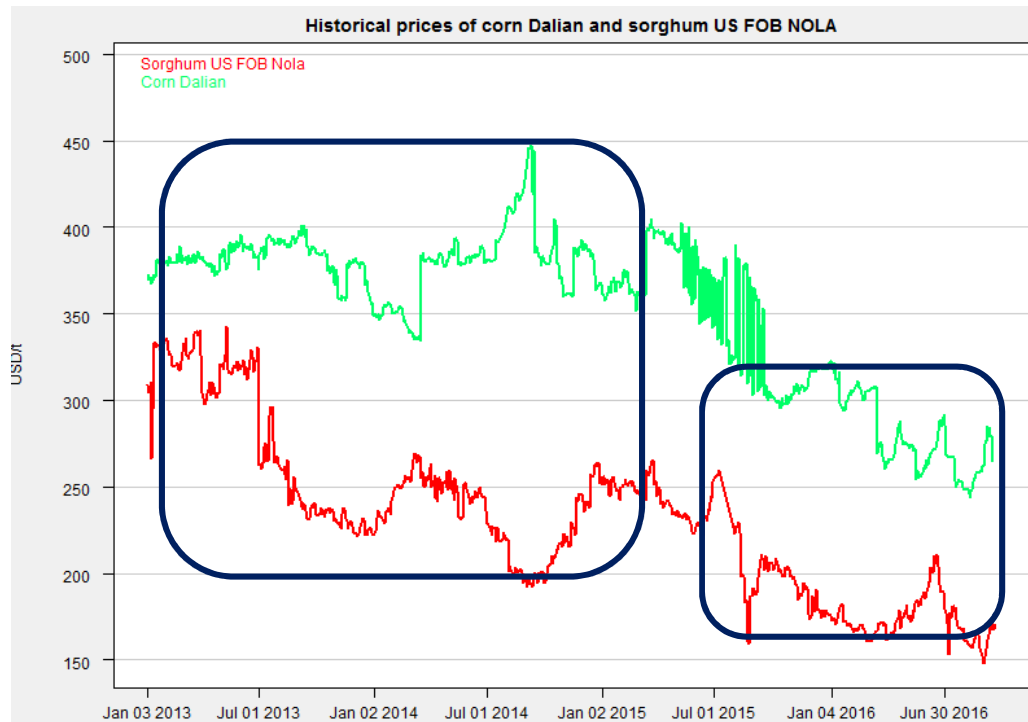


- Sorghum, Barley, DDGs are the principal materials used to substitute corn in the feed sector in China.



REASONS TO IMPORT RALLY

PRICE COMPARISON BETWEEN CHINA CORN AND US SORGHUM

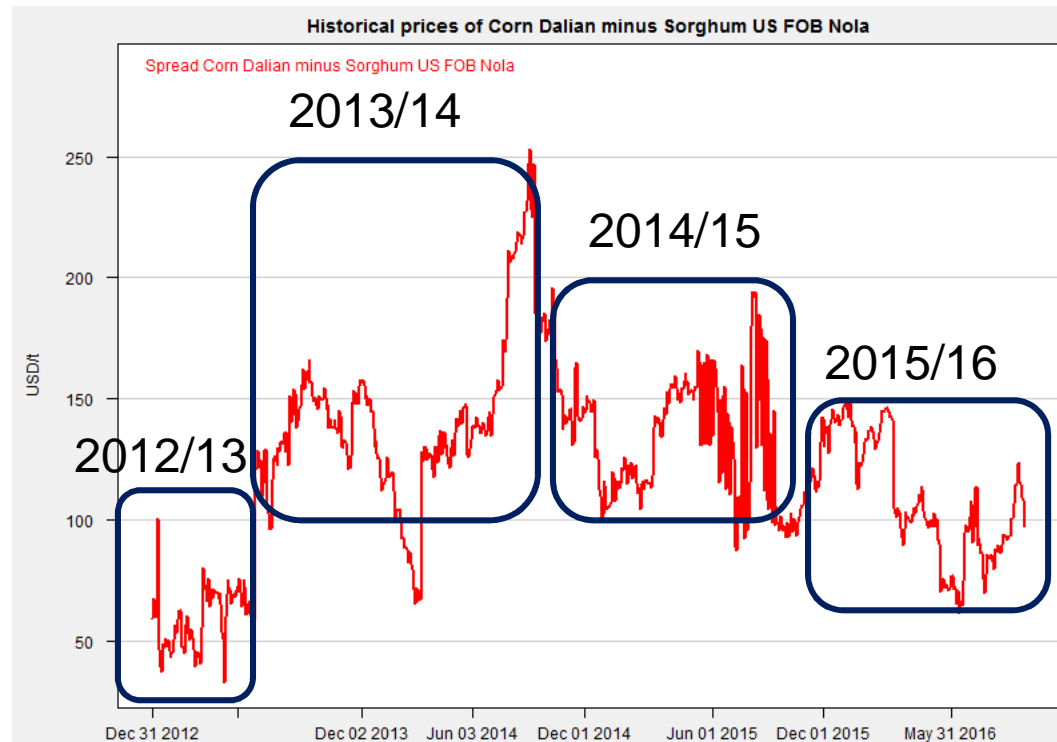


- **China corn is quoted significantly higher than US sorghum.**
- **However, price spread decreased since 2015.**



REASONS TO IMPORT RALLY

SPREAD EVOLUTION (CHINA CORN-US SORGHUM)



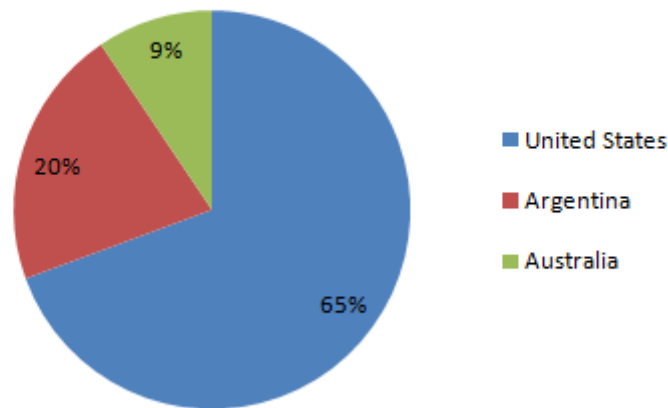
- High import of sorghum took place during the seasons when price difference stood at high level.



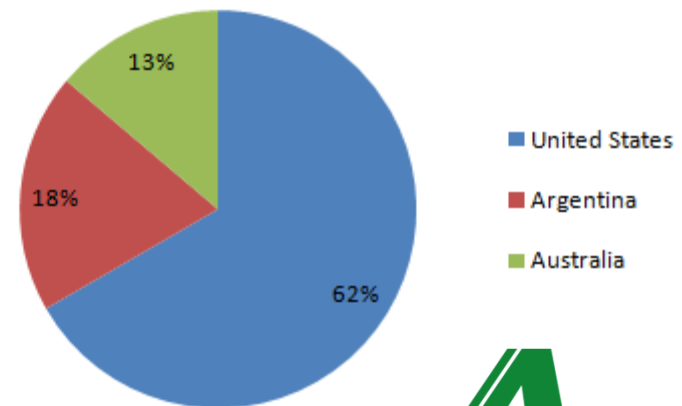
MAJOR SORGHUM SUPPLIERS

WORLD MARKET SHARE OF MAJOR EXPORTERS

World export % (Average 2006-2010)



World export % (Average 2011-2015)

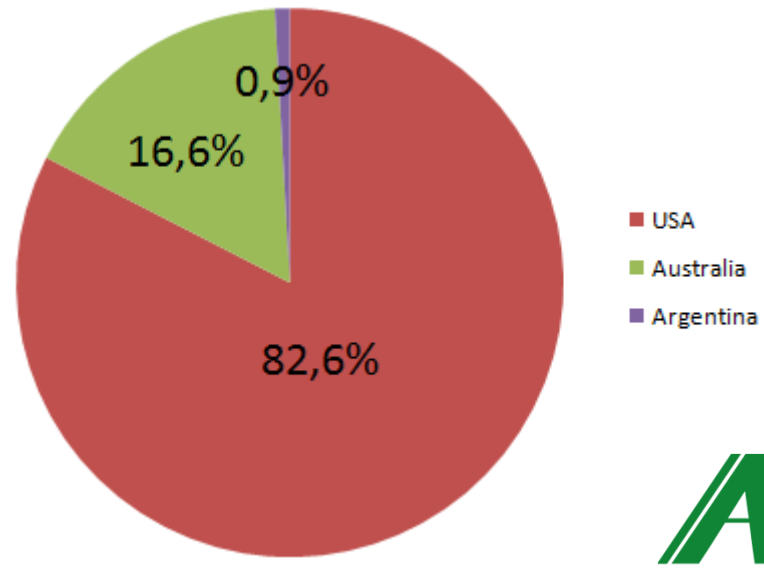


- **USA+Australia+Argentina = more than 90% of the world export!**
- **The USA has stayed the world leading exporter of sorghum over the past ten years, representing more than 60% of the world trading volume.**
- **Argentina and Australia are the other two major exporters.**



MAJOR SORGHUM SUPPLIERS

CHINA IMPORT BY ORIGIN (2014/15)

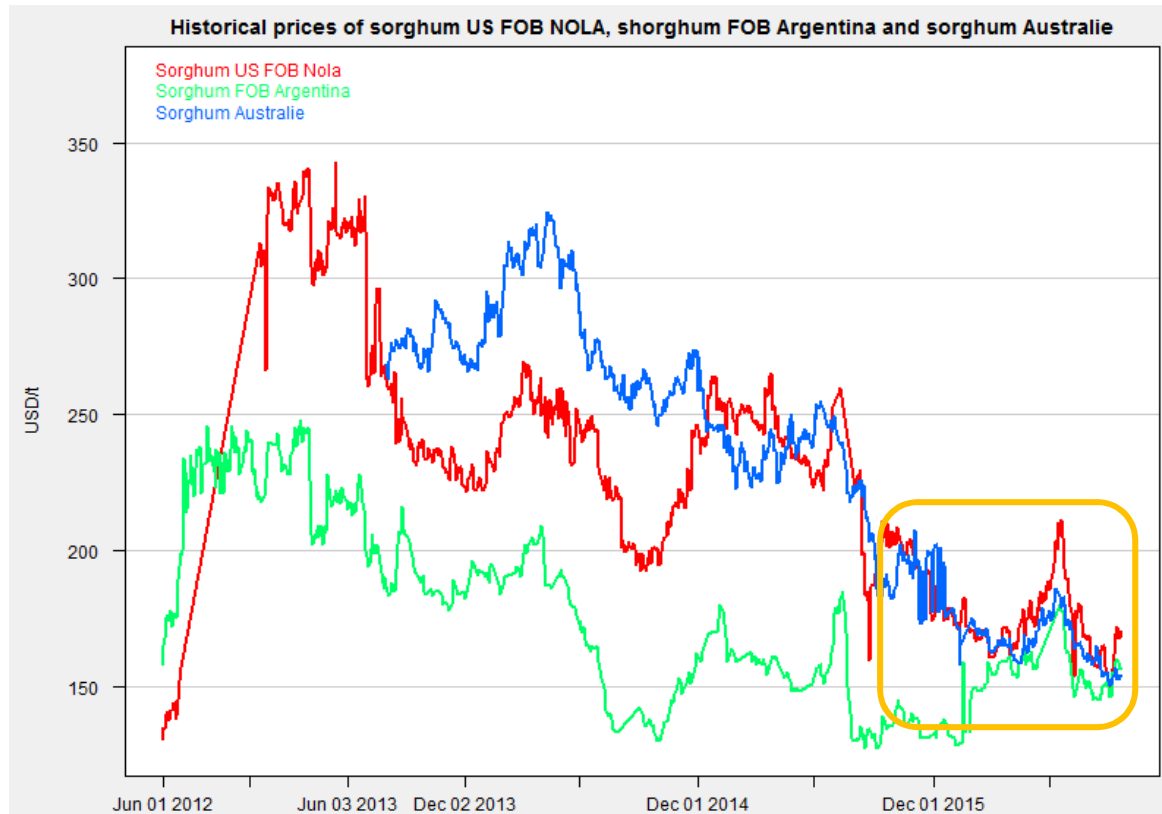


- **USA and Australia are historical sorghum suppliers of China.**
- **Argentina recently obtained the agreement to export sorghum to China (in late 2014).**



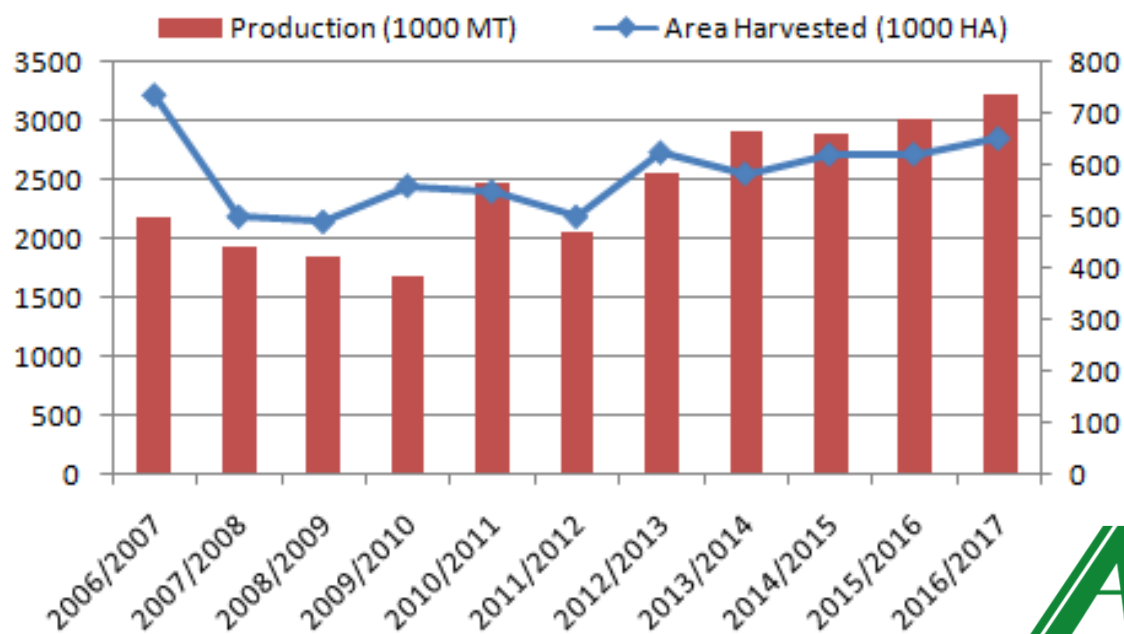
MAJOR SORGHUM SUPPLIERS

PRICE COMPARAISON AMONGST MAJOR ORIGINS



- Sorghum price (fob basis) of different origins converged since the removal of export tax in Argentina.

ESTIMATION OF 2016 SORGHUM HARVEST IN CHINA



- Production in 2016/17 may continue to rise but only slightly.



PROSPECTS OF CHINA IMPORT

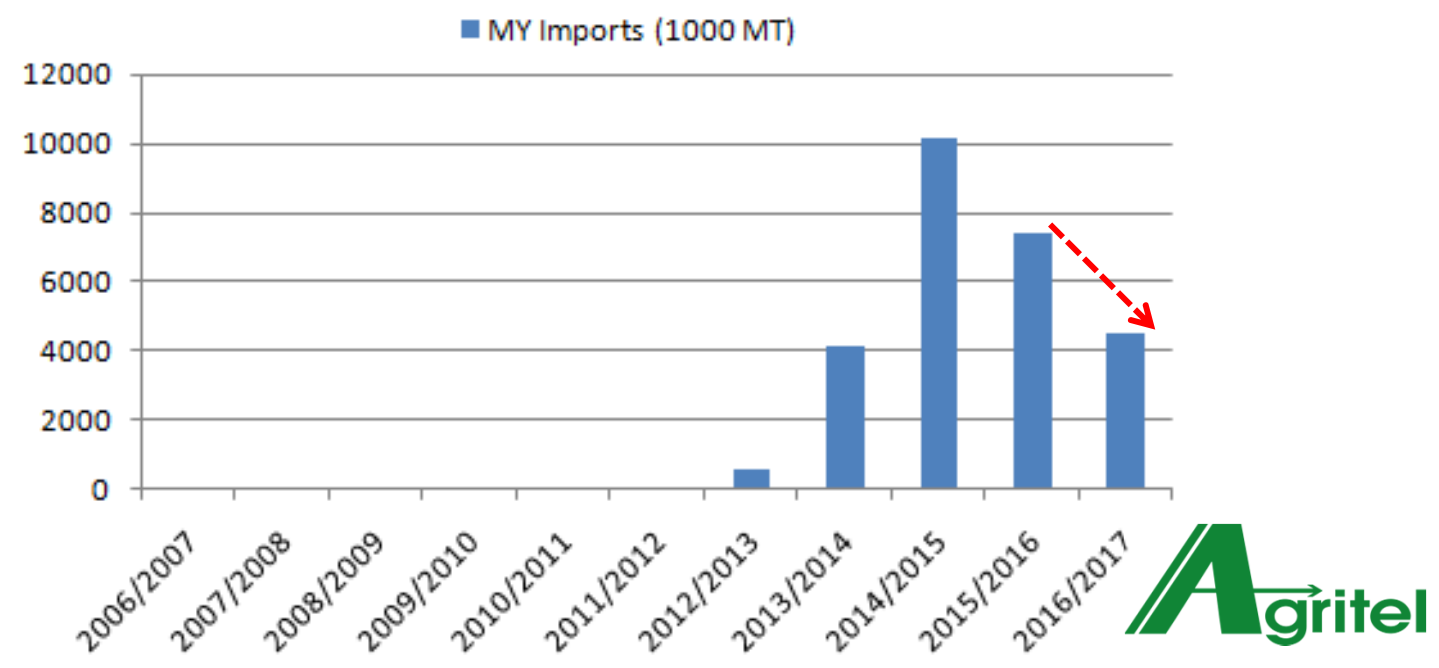
PROSPECTS OF CORN MARKET IN 2016/17 – KEY ELEMENTS FOR CHINA SORGHUM IMPORT

- **CN corn production will drop in 2016/17 (major estimation range at 200-216 Mt for the 2016 harvest VS the 2015 harvest at around 224 Mt).**
- **Corn availabilities (2016 harvest + remaining state corn reserves) will stay at high level, which could satisfy completely domestic consumption.**
- **Domestic corn price could hover at low level under such heavy fundamentals. At Dalian, corn price of the 2016 harvest currently trades at around 220 \$/t, the lowest level since 2008.**



PROSPECTS OF CHINA IMPORT

ESTIMATION OF CHINA SORGHUM IMPORT



- China sorghum import in 2016/17 will slide further and may drop into the range of 4-5 Mt.
- The selling of state corn reserves (harvest 2014 and 2015) needs to be monitored with great attention.



THANK YOU VERY MUCH FOR YOUR ATTENTION!



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