China’s Impact on U.S. Agriculture

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Outline

• China Ag Situation
• U.S. Ag Exports to China
• Key Issues
• Outlook

The Economist
China Per-Capita Income Growth

Source: ERS International Macroeconomic Data Set
CHINA AG SITUATION
China Prices vs. U.S.

Week of March 5, 2012

- Hogs: 86%
- Corn: 57%
- Soybeans: 36%

Source: Weekly average of Chinese regional markets, USDA
China Ag Self-Sufficiencies

Source: USDA/FAS
Fact or Fiction: China's Total Sown Acres

Sustainable Growth?
25 Yr Avg: +1.7 mil acres/year
5 Yr Avg: +2.6 mil acres/year

Source: USDA/ERS
China Corn Consumption

Last five years growth averaged 5.2 mmt, or 203 mil bu PER YEAR

Source: USDA/FAS
U.S. AGRICULTURE EXPORTS TO CHINA
US$ Billions

U.S. Ag Exports to China/H. Kong

Source: USDA/FAS
China/HK bought 7% of U.S. pork production in Nov. 2011

Source: USDA/ERS
KEY ISSUES
Key Ag Issues

**Internal:**
- Acreage constraints, technology, self-sufficiency
- Inflation – the “right” level
- Regulation – food safety
- Food safety scandals are building the brand of “Imported Food”

**External:**
- WTO Cases (dumping/countervailing on US poultry)
- SPS (Sanitary/Phyto-Sanitary) Issues
  - beta-agonist use in meat
  - genetically modified crops
Outlook

- China is losing grip on food self-sufficiency and will allow *some* import growth.
- Rising incomes will continue shift diets; China will need more corn, pork, oilseeds, and dairy.
- Economic growth will slow, yet likely remain around 7.5% in 2012; that rate will double incomes in 10 years. Where will our commodity prices be then?
An Inconsistent Triad

Pick any two, but only two…

- China’s Food Self-Sufficiency
- Unfettered Access for US Ag
- China’s Food Inflation (above US prices)
Services Offered:

- Global market research
- Specific market reports
- Email alert service
- Monthly newsletter
- Webinars / presentations

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MISC SLIDES
WTO Disputes - By Complainant

Source: World Trade Organization
China Pork Demand Means ‘Massive’ Imports From U.S., Stuart Says
U.S. pork exports will jump 23 percent or more this year because of surging demand and prices in China, the world’s top consumer, according to Brett Stuart, the co-founder of farm-industry researcher Global AgriTrends.

_July 20, 2011 Bloomberg (following May trade data release)_
Spread: China Carcass Price less U.S. Carcass Price, monthly

Monthly Avg's through Feb. 22, 2012

Source: USDA, Average of various regional Chinese hog prices, converted to carcass basis
China/HK Pork Imports, all sources

2011 imports of frozen pork = 8 mil hogs (1% of cons.)
Nov 2011 imports from U.S. = 7% of U.S. pork production

Source: China and H. Kong Customs
China/HK Pork Imports and China Hog Prices

(US$/lb equivalent)

- China/HK pork Imports (All Sources)
- China Pig Price, US$/lb equiv

Source: China/H. Kong Customs, Average of Various Chinese hog price reportings, no variety meats incl.
Pig Density - Pigs/Acre (Cropland):

U.S. States and Chinese Provinces

% of National Inventory

- Hunan, 9%
- Sichuan, 11%
- Guangdong, 5%
- North Carolina, 14%
- Guangxi, 5%
- Hubei, 5%
- Yunnan, 6%
- China AVG
- Iowa, 30%
- Minnesota, 11%
- Indiana, 5%
- Oklahoma, 4%
- Missouri, 5%
- U.S. AVG
- Illinois, 7%
- Ohio, 3%
- Nebraska, 5%

Source: USDA/ERS, Chinese Yearbook of Animal Husbandry
Other reports:
- Japan
- China/HK
- S. Korea
- Australia
- Mexico
- Russia
- Denmark and Canada (exports)
Reuters reporter Nick Edwards posted an article yesterday stating that, “The price of pork in China could soon rival U.S. payrolls as the world’s most watched economic indicator” http://reut.rs/zAhhFE9. Maybe, maybe not, but Chinese hog prices are the nearest thing we have not only to forecast Chinese economic behavior, but also China’s appetite for imported pork. While pig/pork prices fell from September to November, recent November import data from China and H. Kong showed record large pork imports - both in total and from the U.S.

For the week ended Dec. 30, China’s hog prices dropped slightly after posting 3 consecutive weekly gains. The current price of 17.35 rmb/kg is 12.9% below the September highs, but is also 23.4% above levels one year ago. The spread between Chinese and U.S. hog carcasses (estimated equivalent) is now US$85/cwt; said another way, China hog carcass-equivalent prices were 120% of the U.S. carcass price the last week of 2011. China’s hog prices are expected to remain stable in this range, likely declining post-Chinese New Year (1/23/12). However, prices are expected to remain high enough to drive large pork imports even beyond the Chinese holiday.

**Bottom Line:** China will continue to import large volumes of pork. China/H. Kong’s pork/pvm imports are up 24% through Nov 2011, but would be down -9% without U.S. volumes. China/H. Kong will import over 2.2 mmt of pork/pvm in 2011 (over 115,000 loads) from all suppliers, the pig equivalent of 9.8 million hogs; the equivalent of 9% of U.S. production or 1.4% of Chinese production. Look to see China remain a significant pork importer in 2012 as well. Note the charts below and China Daily article on China’s declining food self-sufficiency.

See the following charts:


**China Pork Imports (from the U.S.) and Prices:** [http://bit.ly/AmDqmL](http://bit.ly/AmDqmL)

**A good China Daily article:** [China to rely more on foreign food suppliers to feed population](http://bit.ly/ygcf7R)