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China Market Outlook

APRIL-MAY

2016

Summary

Macro-economy	• China's GDP is expected to grow again by 6.7% in Q2
Weather	• Continued heavy rains have led to a high disease rate in the aqua sector
Agri-industry	• Hog and sow inventories continued to increase
Grain market	• Grain prices have risen in unison in May
Fishmeal	• Fishmeal sale volumes continued to increase in May

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China economy

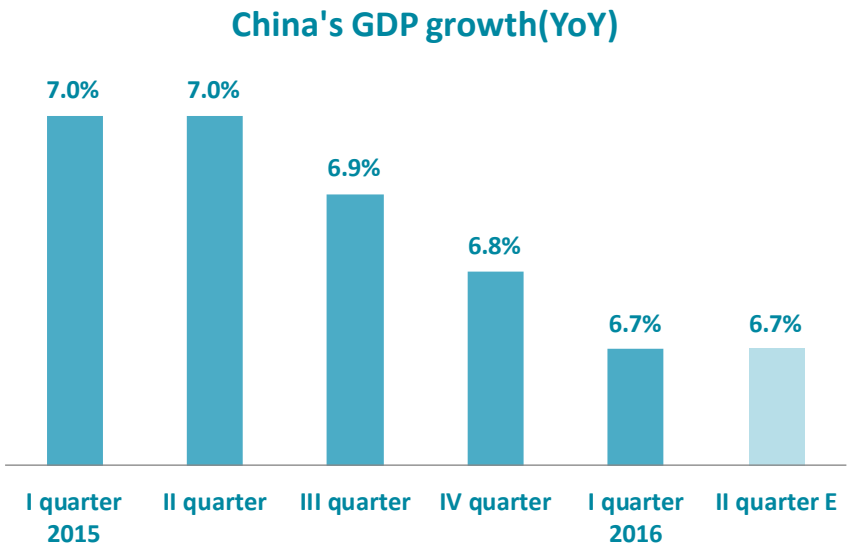
China’s GDP is expected to grow 6.7% in Q2

Most of the same when it comes to the macroeconomic environment.

China’s transformation into a consumer-driven economy planned by the political leadership continues at a slow pace, dampening its economic growth rate to levels not seen for decades.

China's GDP is expected to grow by around 6.7% in the second quarter of 2016, on a par with that recorded in the first quarter.

In the foreseeable future China's economy is expected to follow an L-shaped path as downward pressures weigh on the economy while new growth momentum struggles to materialise.



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source: National Bureau Statistics

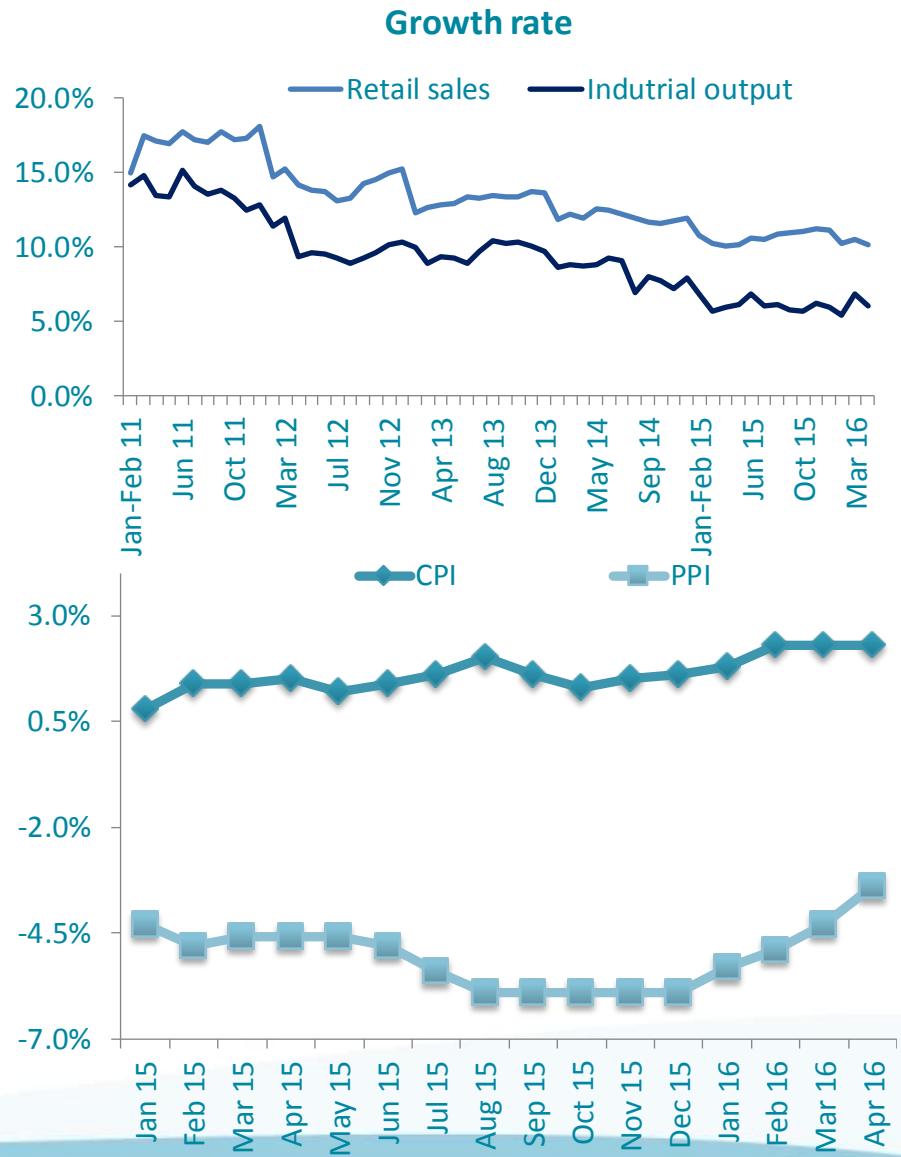
China economy

The CPI has remained stable for third month in a row.

China's retail sales of consumer goods rose by 10.1% YoY in April 2016; China's industrial output, an important economic indicator, grew by 6.0% YoY in April 2016. Retail sales have contributed significantly to China's economic growth as the country tries to shift from an export-driven economy to a consumer society.

China's consumer price index (CPI) rose by 2.3% YoY in April 2016, the third such reading in a row and in line with economists' forecasts. China's producer price index (PPI), fell by 3.4% YoY in April 2016, although the decline has continued to narrow, marking the 50th consecutive month of decline.

China's latest round of official inflation figures for April showed the headline rate for consumer prices holding steady from March as producer price contractions eased further.



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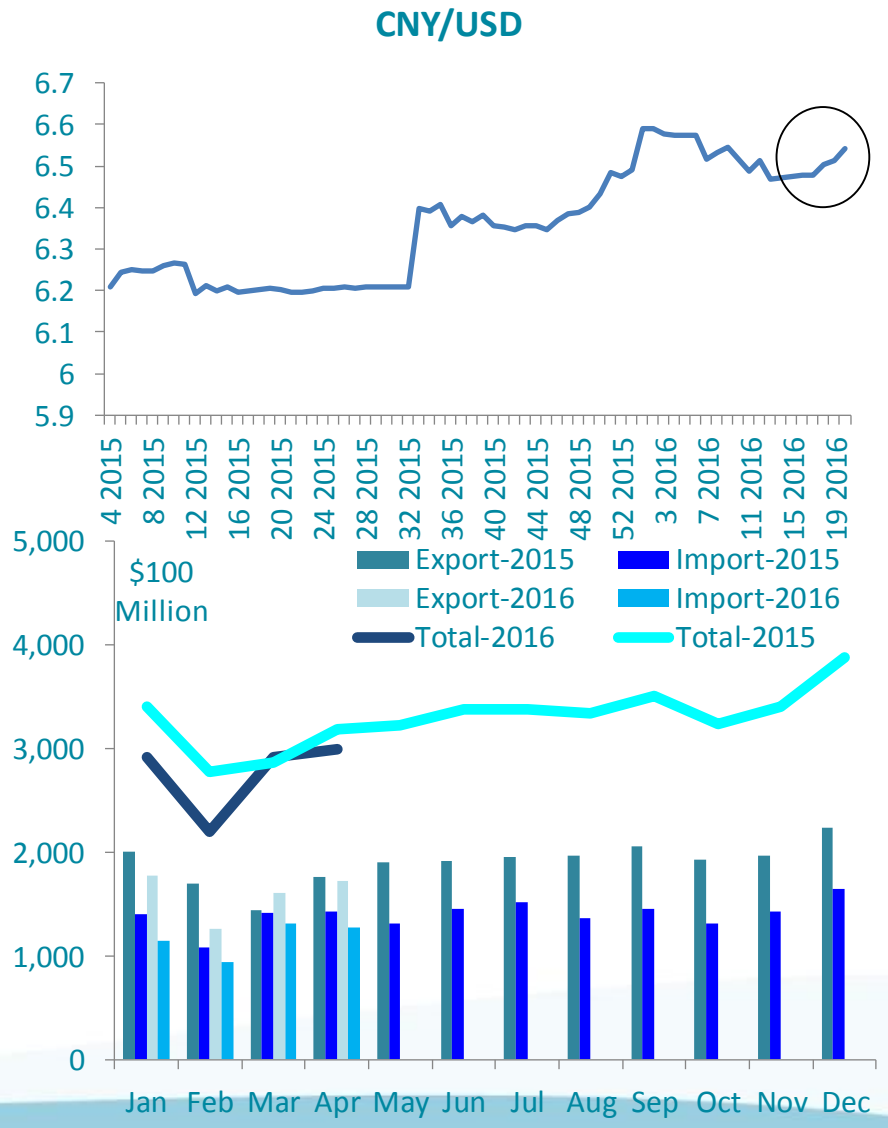
source: National Bureau Statistics

CNY/USD exchange rate and trade

China exports fell 1.8% year on year in US dollar terms. That exceeded a consensus estimate of a 0.1 per cent drop, and came after an 11.5% surge in March. Imports in April slid 10.9% from the same month last year, more than double the consensus forecast for a 5% drop and deepening the previous month's 7.6% decline.

As anticipation of a Fed move builds dollar strength in the months ahead, China's central bank will face the more difficult task of managing the yuan without triggering a fresh round of market panic and capital exit.



source: XE

China weather

Continued heavy rains since the flood season started

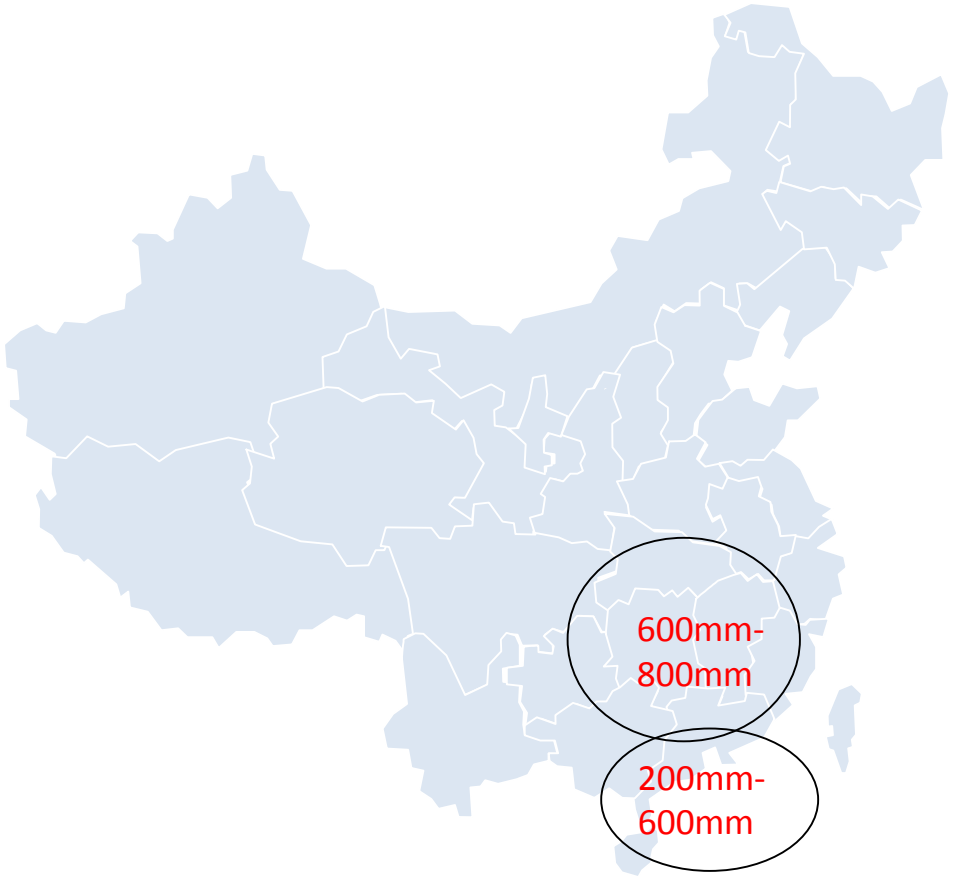
There have been 14 episodes of heavy rains in the South of China since the flood season started on 21st March.

From 21st March to 18th May, the nationally-averaged precipitation struck 119.6 mm, 24.6% above the average, and hit a record high in comparison with that of the same period since 1974.

Total precipitation has exceeded the levels reached during the same period in 1983 and 1998 (strong La Niña activity period).

	April 2016	Average in April previous years
China Average Temperature	12.3℃	10.7℃
China Average Precipitation	58(mm)	39.7(mm)

Total precipitation summary 21st March to 18th May



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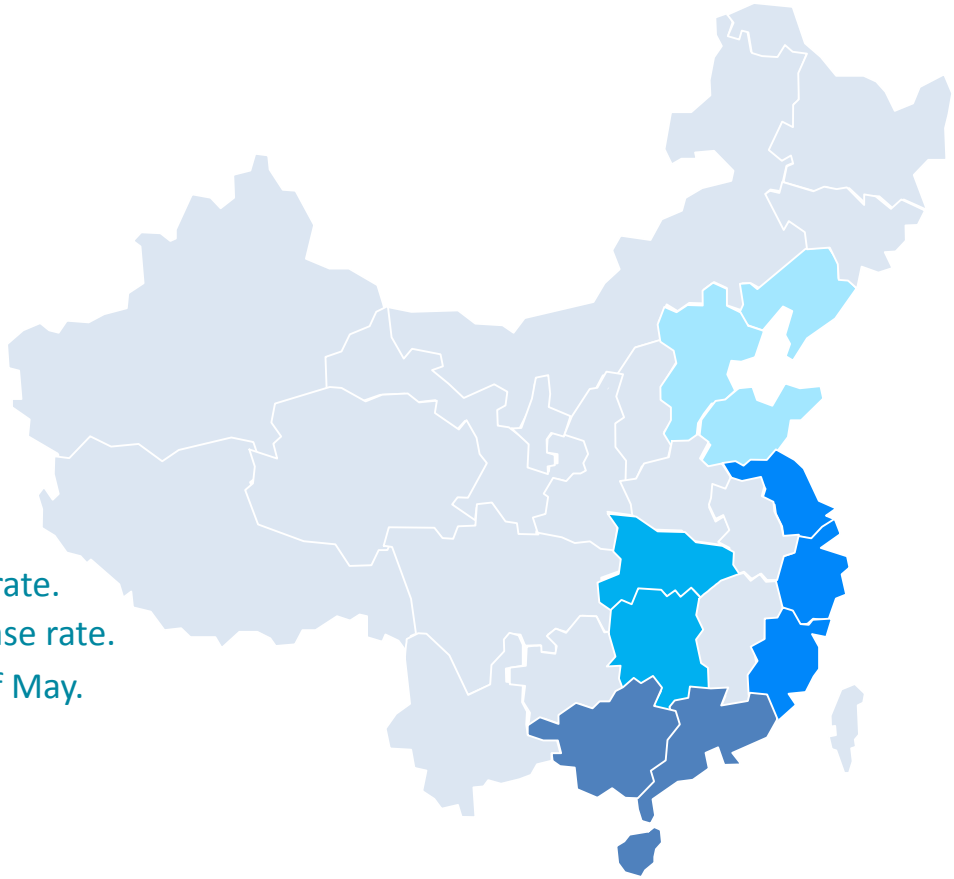
source: CMA

Continued heavy rains led to high disease rate

Shrimp fingerlings stocking

The situation of the first shrimp fingerlings stocking season in 2016

Continued heavy rains have forced farmers to postpone by 15 days the first shrimp fingerlings stocking season in the South of China.



- Fingerlings stocking almost complete, high disease rate.
- Fingerlings stocking almost complete, variable disease rate.
- Fingerlings stocking started, with peak at the end of May.
- Fingerlings stocking just started.

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source: FISHFIRST

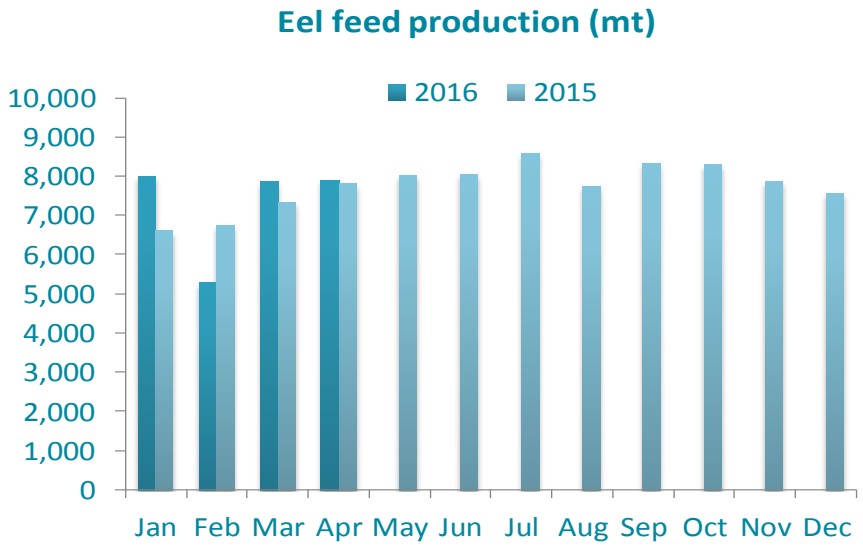
White fishmeal in Fujian province

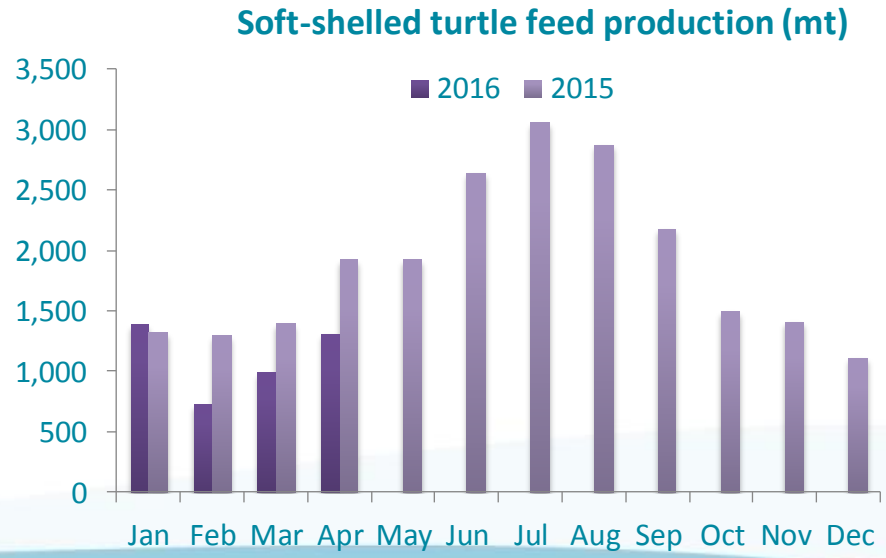
According to the latest statistics, eel feed production in the Fujian province was up by 1.33% YoY, with a total of 7,911 mt in April 2016.

Soft-shelled turtle feed production was down by 31.91% YoY, with a total of 1,313 mt in April 2016.

Fishmeal inclusion rate in eel feed and soft-shelled turtle feed are at between 55% and 65%, 2/3 of which is super prime fishmeal and 1/3 is white fishmeal.

Fujian province is the main eel and soft-shelled turtle farming area in China. It is also the main feed production and consumption area of eel and soft-shelled turtle.





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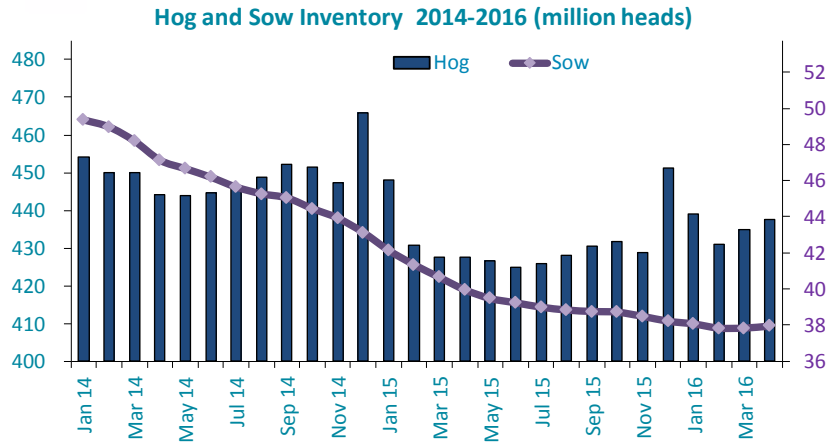
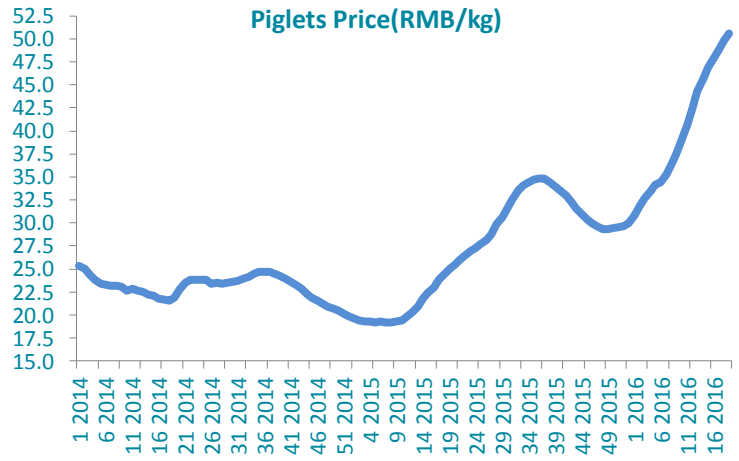
source: Chinaeel; Aqua feed industry association of Fujian province

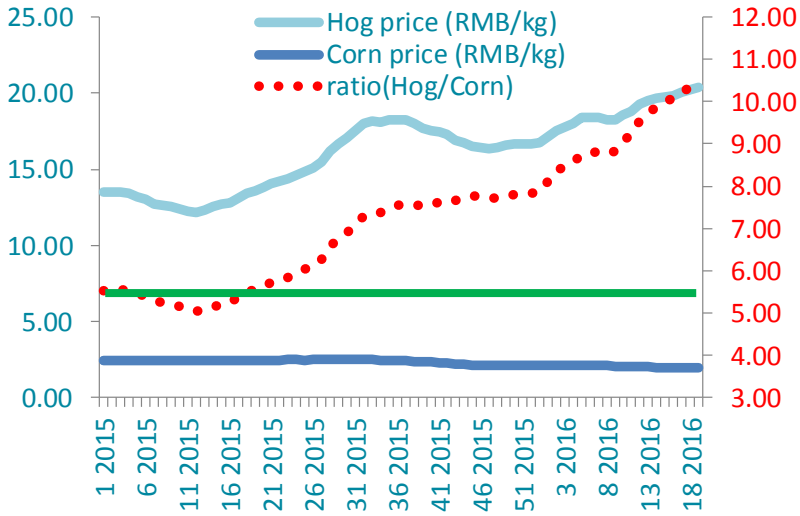
China hog market

Hog and sow inventories continued to increase in April



Due to the rising prices, the Ministry of Agriculture (MOA) and 12 local governments have increased the supply of frozen pork, with about 150,000 tons of pork reserves released onto the market.
Farmers have also chosen to raise more pigs, increasing the national pig supply, and further increasing the hog and sow inventories.
MOA has warned farmers not to increase the hog inventory any further, as prices are rising unduly.





The green line is the hog breeding break-even point : 5.5:1.

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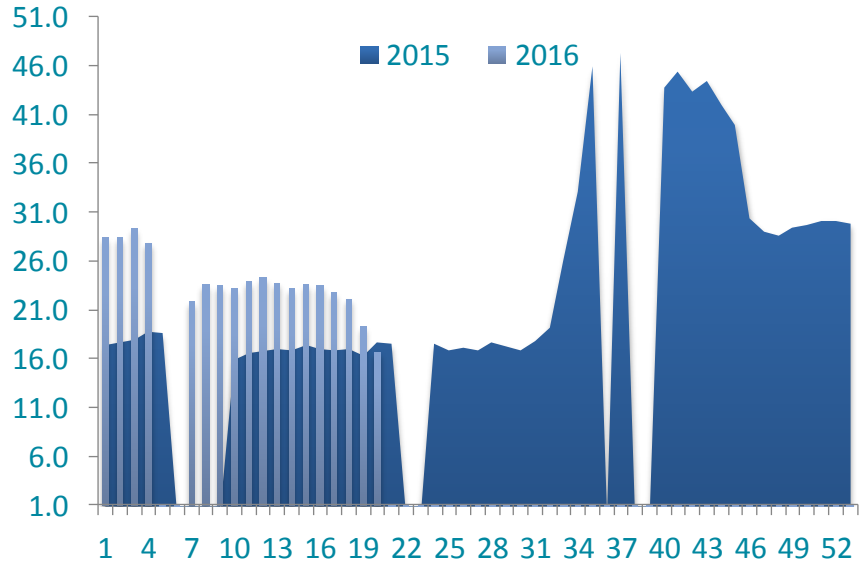
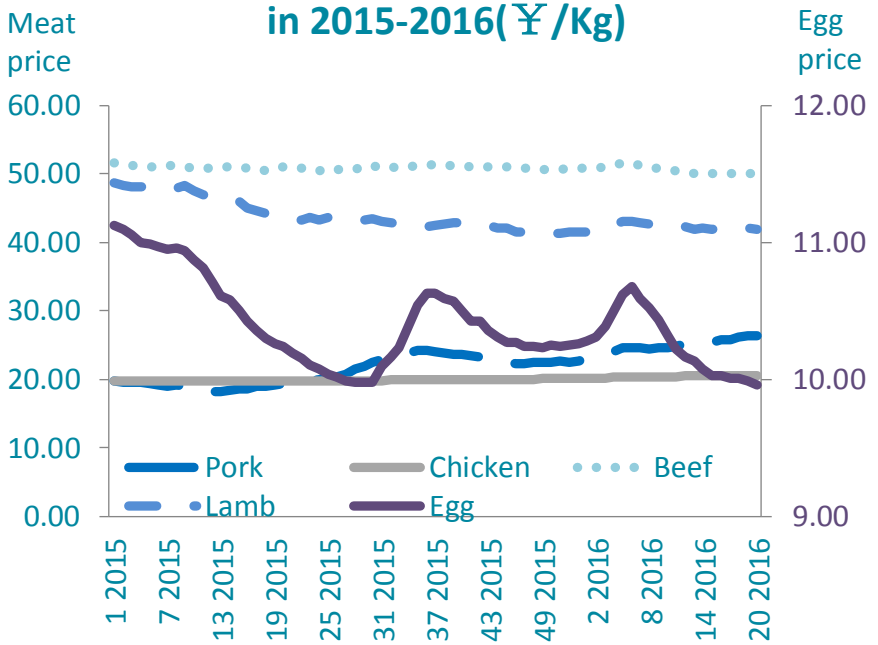
source：MOA

China livestock products market

Livestock products trading volume per week in 2015-2016 (000 mt)



Livestock price per week in 2015-2016(￥/Kg)



Focus on monitoring: pork, chicken, beef, lamb and egg.

***Data sourced from a total of 50 markets**

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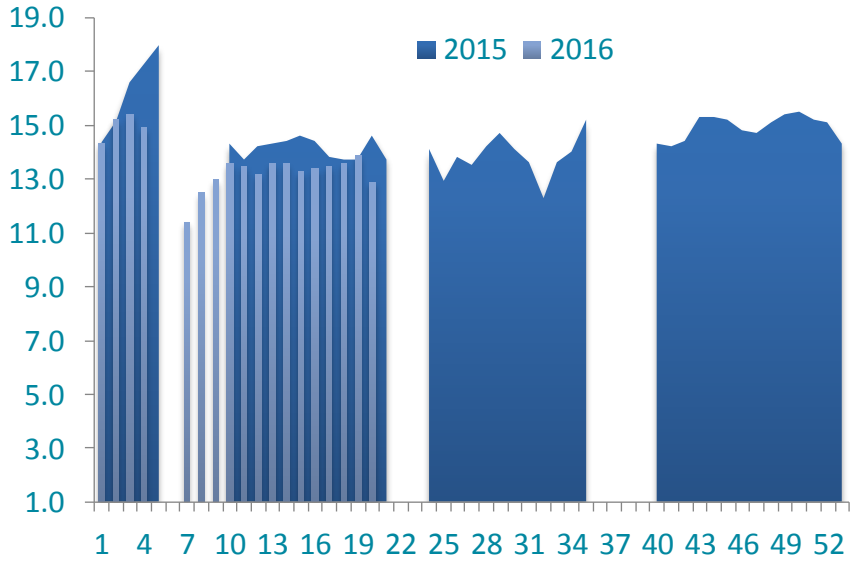
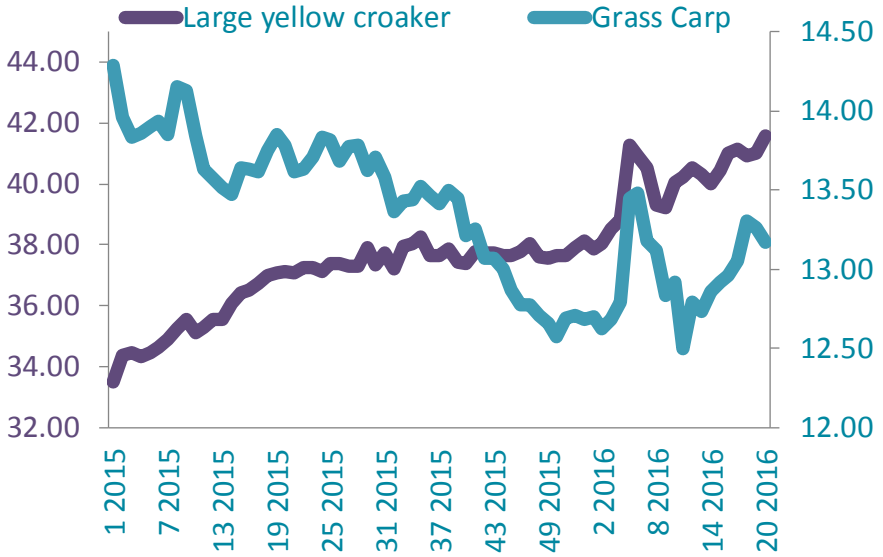
source： MOFCOM; MOA

China aquatic products market

Aquatic products trading volume per week in 2015-2016 (000 mt)



Aquatic products price per week in 2015-2016 (￥/Kg)



Focus on monitoring: Carp, Silver Carp, Grass Carp, Crucian, Large Hair tail, Small Hair tail, Large yellow croaker and Small yellow croaker.

*Data sourced from a total of 50 markets

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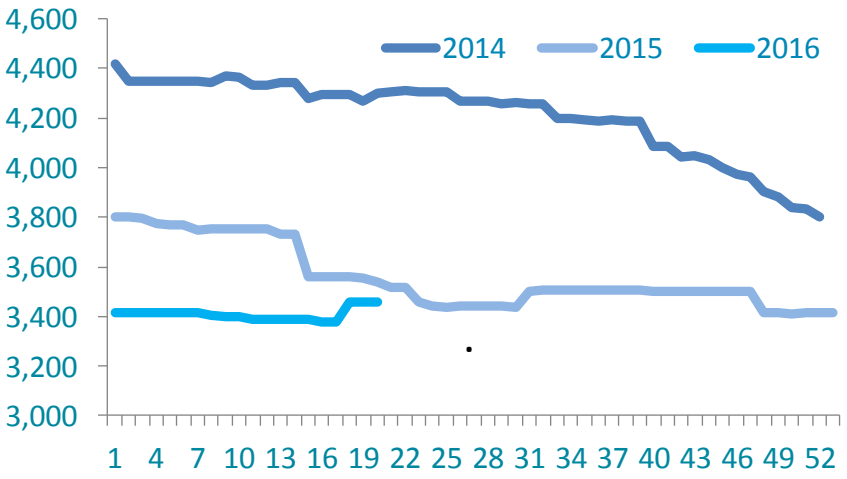
source： MOFCOM; MOA

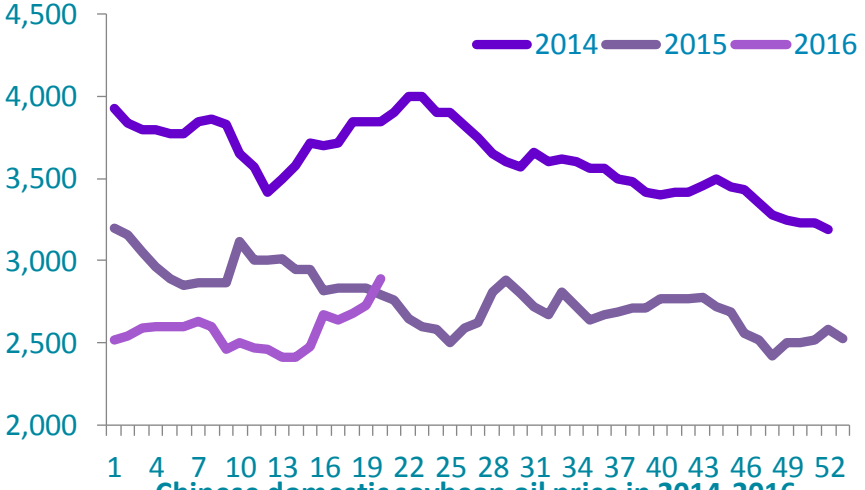
The soya complex prices have risen in May

China soybean market

Chinese domestic soybean price in 2014-2016

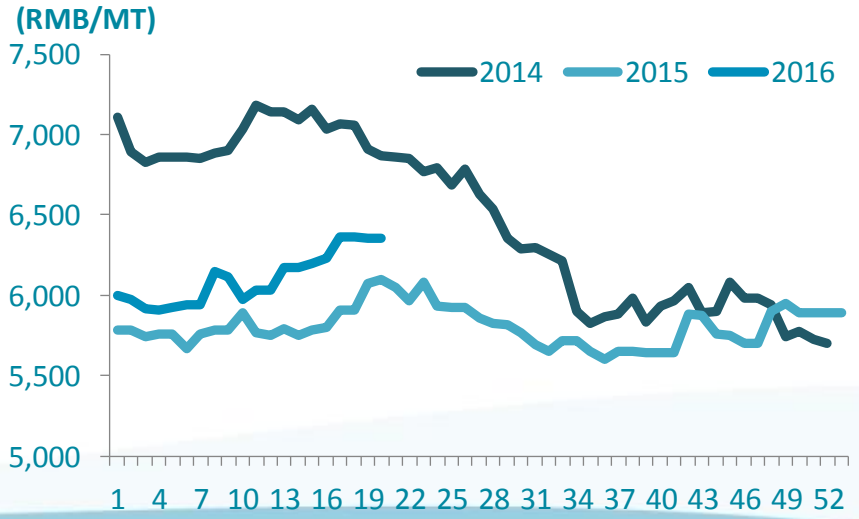


Chinese domestic soybean meal price in 2014-2016



Driven by the upward trend of the international soybean prices, China's soybean, soybean oil and meal prices have risen in May.
Feed producers have actively purchased soybean meal, leading to a decrease of the crushing facilities' stock in May.

Chinese domestic soybean oil price in 2014-2016



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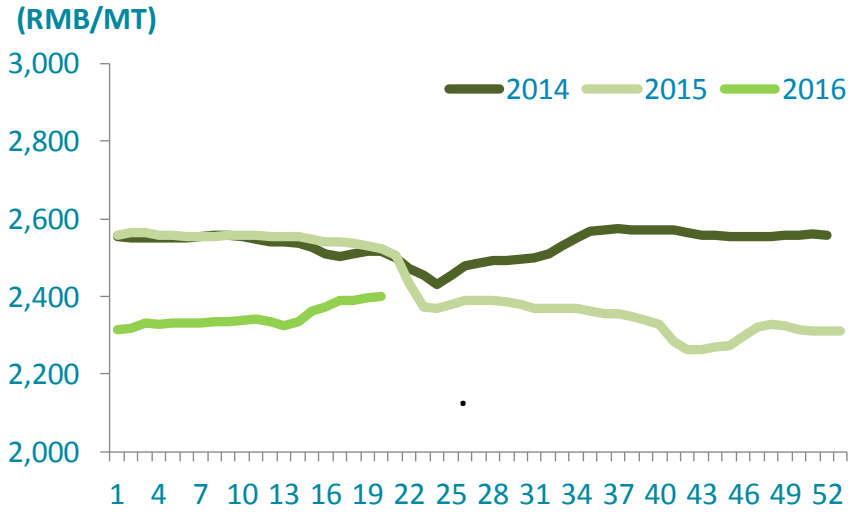
source: JCI

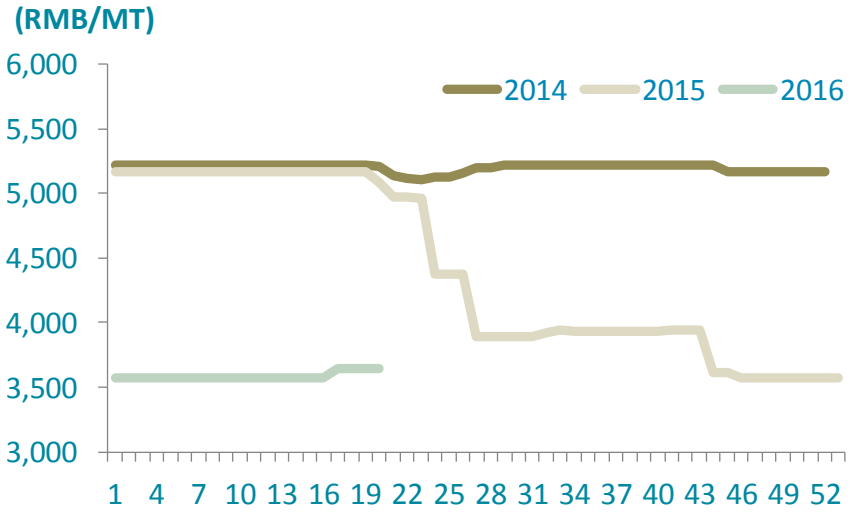
Grain prices have rebounded in May

China grain market

Chinese domestic wheat price in 2014-2016

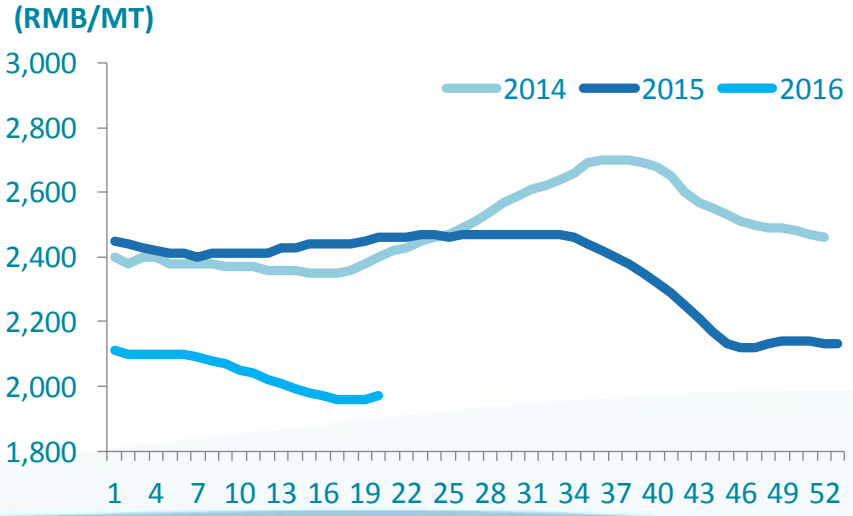


Chinese domestic rapeseed price in 2014-2016



Thanks to the good demand of feed for the animal husbandry industry, concerns over the wheat new crop, and the upward scenario within the soybean market, China grain prices have rebounded in May.

Chinese domestic corn price in 2014-2016



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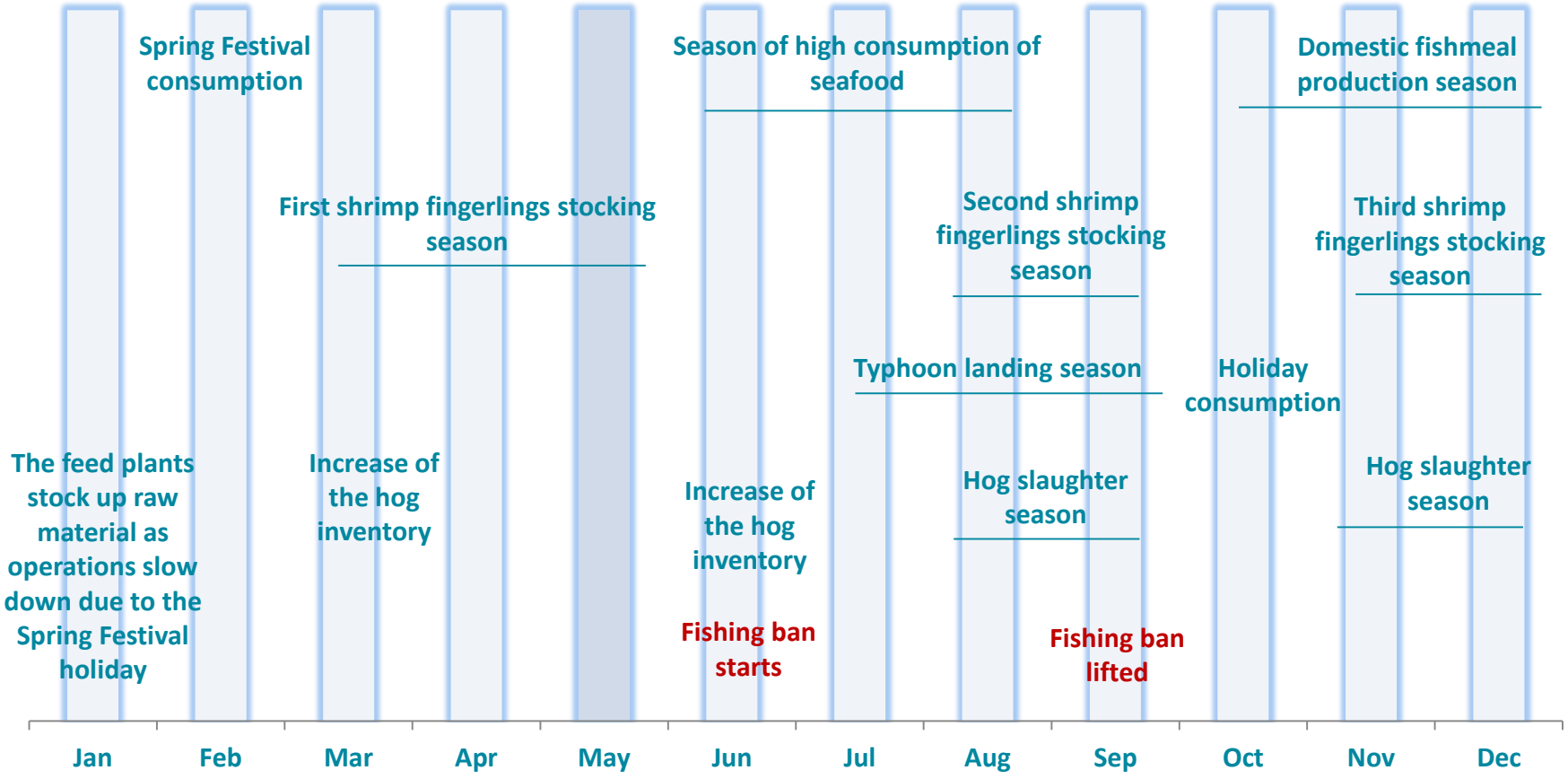
source: JCI

Annual consumption cycle



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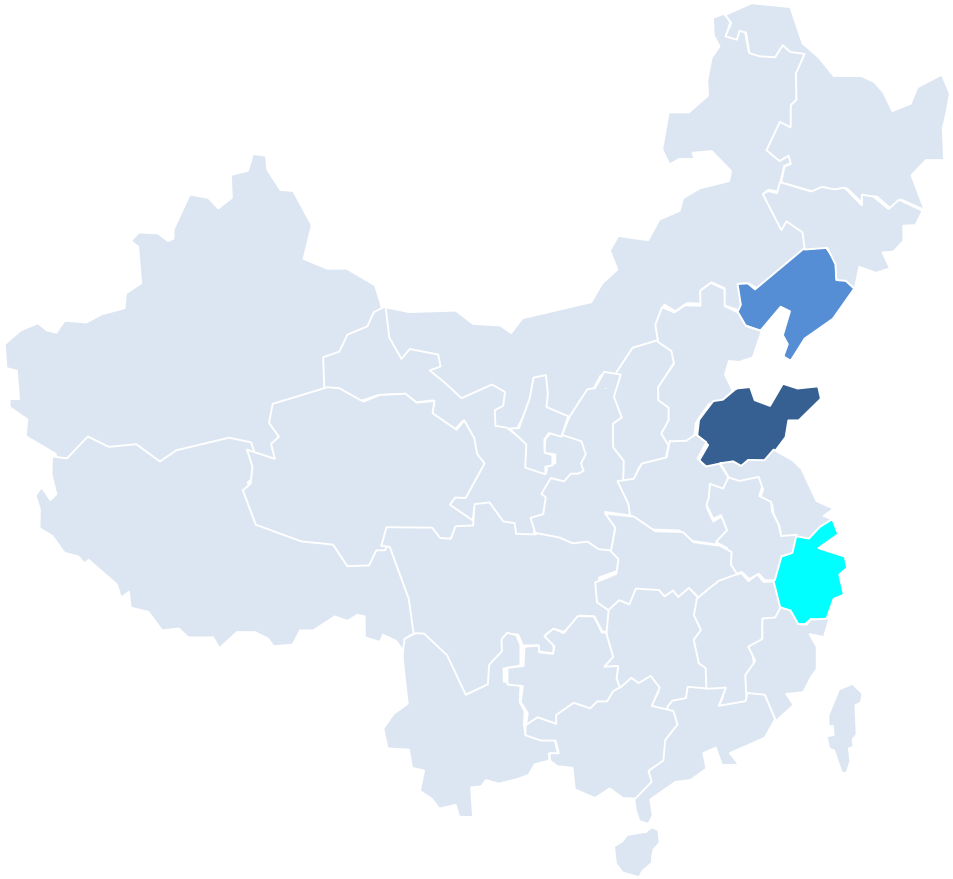
The Government has scaled up its actions to protect the environment

China fishmeal supply

As the government continues to strengthen its measures to protect the environment, inspections on fishmeal plants and ports to protect the fishery resources have been increased in May.

As the fishing ban from 1st June looms, the Zhejiang province's fishmeal plants have been actively producing in the second half of May.



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source: IFFO

Fishmeal sale volumes continued to increase in May

China fishmeal consumption

We estimate that total fishmeal stocks at the main Chinese ports were reported to be around 120,000 mt at the beginning of May 2016, a decrease of around 6,000 mt with respect to the previous month.

Fishmeal arrivals and port sale volumes are on the rise. The difficulties faced by the aquaculture sector remain with more heavy rains expected in south of China. However, the recent news on the Peruvian anchovy biomass and the consequences that this might have in terms of the quota in the north-central area is having a direct effect on fishmeal sale volumes.

China feed consumption have increased in May with respect to the previous month, due to the rising inventory of Chinese animal husbandry.

The prices of the different feed raw materials have risen together, in turn pushing up aqua feed prices, even if the aquaculture sector continues to face a difficult environment.

Feed producers have continued to purchase fishmeal from ports' warehouses and from fishmeal plants in May.

The Chinese fishmeal market is expecting to face a shortage in the next 3 months.

In May 2016, JCI made an estimate for the 2016's total fishmeal consumption at 1.40 million mt, while fishmeal imports were expected at 1,065,000 mt, above the yearly amounts reported in 2013, 2014 and 2015.

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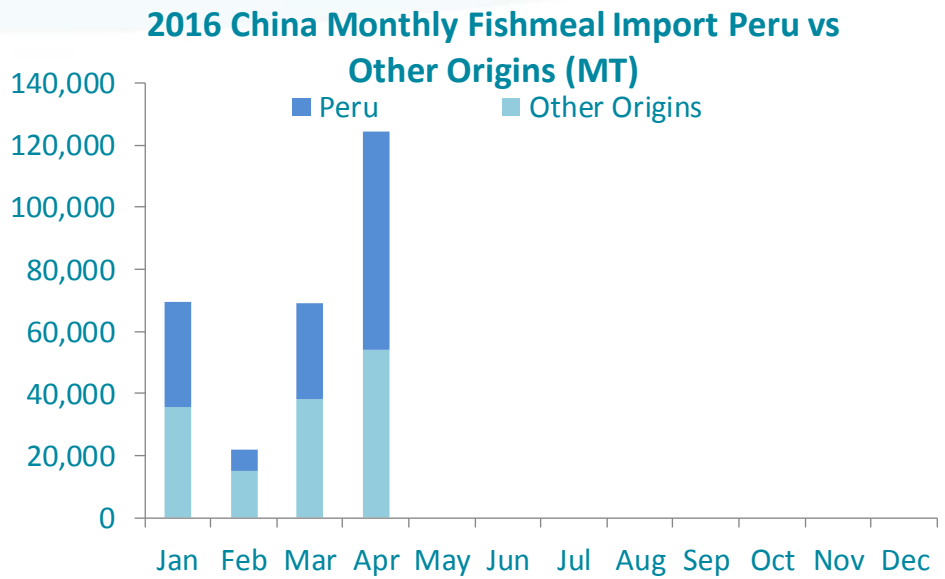
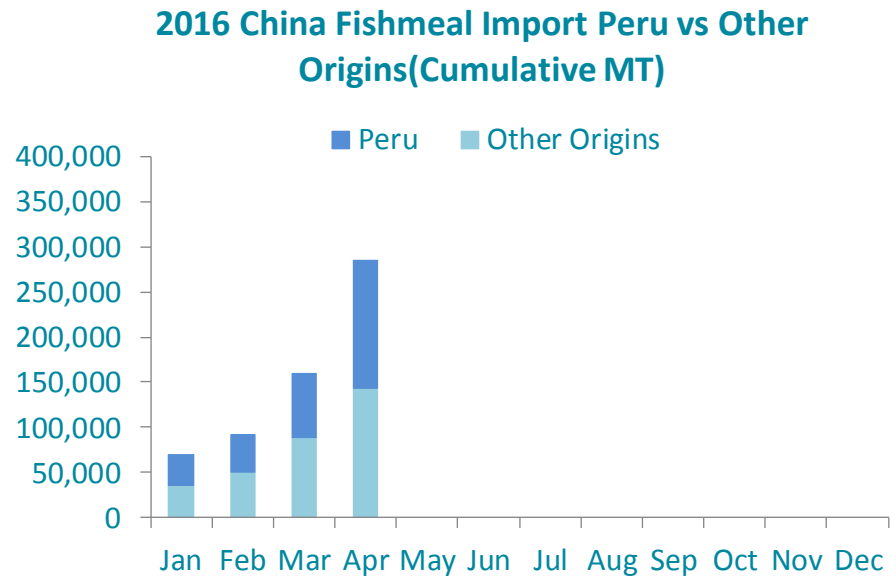
source: IFFO

China fishmeal imports

Fishmeal imports in April were twice the previous month's tonnage.





China's total fishmeal imports in April 2016 were at 124,295 mt, almost doubling the 69,178 mt reported in March and the 62,278 mt reported in April 2015. That is a YoY increase of around 99.5%.

Overall, Peru has provided 56.4% of the total tonnage shipped into China in April 2016, while total Peruvian tonnage in April 2015 accounted for 15.0%.

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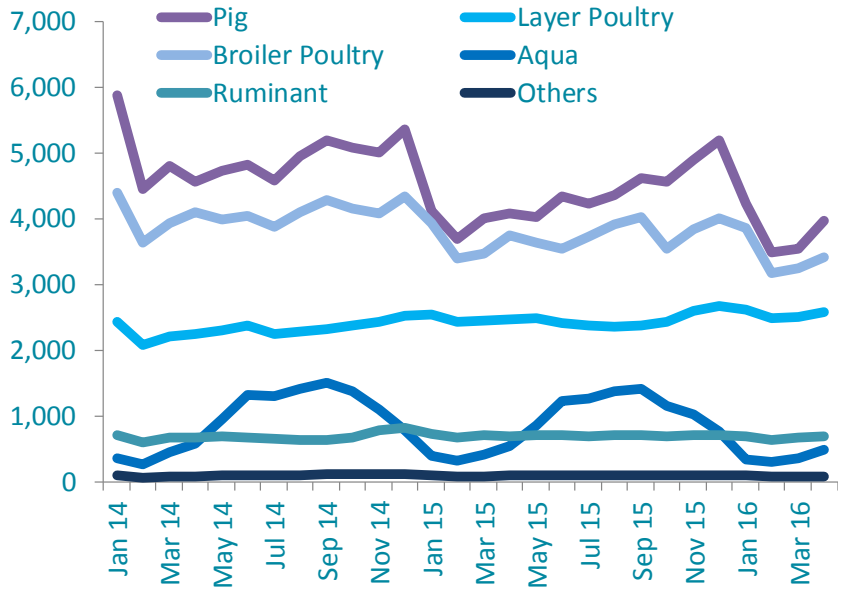
source: China customs

China feed production (000 mt)

China feed production was estimated at around 11.24 million mt in April 2016, an increase of 8.33% with respect to the previous month, but down by 3.11% YoY.



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Source: CFO

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