



AHDB cereal exports *target market report*

China

Harvest

Wheat production is concentrated in China's northern regions: they account for 60 per cent of wheat output.

China's wheat output reached a total of 134 million tonnes in 2020/21 – a bumper harvest due to increased acreage planted and grain yield.

However, in parts of the main producing provinces, quality concerns were raised as a result of widespread rains before and after the harvest, including Henan, Shandong and Hebei.* The amount of low-grade wheat produced is predicted to be higher than 10 million tonnes.

USDA projects China's wheat production will reach an all-time high of 136 million tonnes in 2021/22.

* <https://www.bloomberg.com/news/articles/2021-07-02/now-china-s-wheat-imports-are-surging-too-as-rain-spoils-harvest>

Wheat specifications demanded by millers for pre-mix home bakery premium flours, cakes/muffins
Spec. weight – 77 kg/hl min; Hagberg Falling Number – 250–450 seconds; Protein – 13.5% min

Wheat specifications demanded by millers for dim sum/steamed buns

Spec. weight – 76 kg/hl min; Hagberg Falling Number – min 250 seconds; Protein – 10.5% max

Import requirements

China is predicted to import as much as 10 million tonnes of wheat in 2021/22. Rising affluence and changing diets are boosting domestic demand for everything from poultry to pork and pastries. But government efforts to increase local crop supplies to keep up with demand have been hampered by poor weather and lack of farmland.

The tight domestic corn market means that more wheat is being used in livestock feed, depleting state stockpiles. That, combined with heavy rains that have damaged the harvest and reduced grain quality, is the reason behind the rising wheat imports.

France has been dominating Chinese wheat imports in recent years, supplying up to 3 million tonnes of milling wheat in 2019 and 2020.

China's own wheat production has a protein range of 11–13.5%. Therefore, imported protein requirements are either high (at 13.5–14.3% for high-volume bread production) or very low (at 8–10.5% for production of cakes, biscuits, dim sum, noodles and steamed buns). High-protein Canadian wheat is mainly used for high-volume bread production, and Australian Standard White Wheat for the very-low-protein products. Most wheat imports are consumed in Guangdong province in southern China. A maximum moisture content of 13.5% is demanded by all millers.

China's imports of wheat of Black Sea origins remain predominantly sea based. Rail shipments are subject to several logistical challenges, including limited quarantine and inspection capacity for break-bulk shipments and delays due to switching railway gauges in transit.

Barley production is mainly concentrated in Jiangsu province, eastern China. It produces approximately 2 million tonnes of barley, which is mainly destined for feed. Imports range between 10–12 million tonnes, the majority of which is feed barley.

Protein levels of 10–11.5% are required for the production of lager beer, which is the most widely consumed beer in China. Maltsters report that the typical quality of UK barley is very satisfactory for their requirements. Specific malts in southern and eastern China are now being produced for the growing demand for craft beers, but the quantities are currently small: this sector accounts for just 2% of the market. Although a maximum moisture content of 14% is acceptable, 13.5% is widely preferred by maltsters.

Australia has been a traditional supplier of barley to the Chinese market. Since 2018 however, Australia has been at the centre of dumping allegations. In May 2020, China imposed a massive 80% tariff on Australian barley imports. The anti-dumping tariff is 73.6%, and the anti-subsidy tariff is a further 6.9%. The import tax will remain in place for five years, and is expected to wipe out Australian sales to China.

France, Ukraine and Canada have been replacing Australian barley in China for both malting and feed.

Milling industry

According to China's statistics bureau there are over 3,000 mills, though smaller mills are not included, and the total figure is not known. More than half the country's mills are small, with a daily capacity of 200 tonnes or less.

Noodles and steamed buns still account for most of China's wheat demand. China is the world's leading market for instant noodles, which are produced from soft and common wheat varieties. Wheat-based staple foods, such as noodles and steamed breads, are in decline, while there is a gradual rise in consumption of animal protein products. Demand for instant noodles has declined significantly: steadily rising incomes in urban areas and the emergence of China's burgeoning food-delivery industry present more options for consumers.

In East China there is a growing trend towards home baking. As a result, demand has grown for high-protein and low-protein wheat imports. Additionally, consumers have raised expectations for higher-quality standards.

Chinese demand for higher grades of wheat continues to grow as high- and middle-income consumers in first-tier cities continue to shift to greater consumption of convenient and healthy foods.

Recent declines in consumption of common wheat and rice are beginning to show signs of stabilising. This is due to overall weakening economic conditions, and continuing inflationary pressures in major cities, which encourage lower-income consumers to either ‘downgrade consumption’ by reverting to consumption of ‘staple foods’ (including instant noodles) or move to smaller cities where rice consumption is higher, and prices are lower.

Government policy

There is a complex quota system surrounding supply and purchase of wheat. The total China wheat quota of tax-free imports is 960,000 tonnes, which works back to remarkably little per company – approximately 3,000–4,000 tonnes. To cover the shortfall, millers use cereal importers. In October 2018, the National Development and Reform Commission (NDRC) announced the 2019 tariff rate quotas (TRQs) for grain imports. The TRQ allocation volumes have not changed since then.

2019 Import TRQs for wheat unchanged

Commodity	TRQ volume (tonnes)	Private allocation	State-owned enterprise allocation	In-quota duty	Out-of-quota duty
Wheat	9,636,000	40%	60%	1%	65%

Source: Grain and Feed Update, China, Feb 2019

Countries with bilateral phytosanitary protocols with China are permitted to export grains to China (new additions in italics)	
Wheat	Australia, Canada, France, Kazakhstan, Hungary, UK, USA, Serbia, Mongolia, Russia
Barley	Australia, Canada, Denmark, France, Argentina, Mongolia, Ukraine, Finland, UK, Uruguay, <i>Kazakhstan</i>

Source: China customs, via Grain and Feed Update, China, Feb 2019

On 24 November 2018, the General Administration of Customs China (GACC) approved imports of corn and barley from Kazakhstan, aiming to diversify the country’s sources of grain shipments. The approval came the same week that China launched an anti-dumping probe into barley imports from Australia – its top supplier of the grain. China continues to diversify the number of origins for import market access through formal phytosanitary protocols and memorandums of understanding with regional neighbours.

Consumer trends

Bread

- High-end niche flour bread products, such as multigrain bread, becoming more popular as a result of an increasing middle-class population
- Pre-mix home baking is an increasing consumer trend given that food safety is a major concern among the population

Biscuits

- Niche flour products – including ready-to-bake cake mixes, pre-mix for scones and muffins – on the increase
- Cakes, biscuits and steamed buns increasing in popularity among middle-class consumers

Beer

- Lager most widely consumed beer in China
- Increase in consumption of higher-quality beers requiring a higher malt content
- Specific malts are now being produced for the growing demand for craft beers

Competitors in the market

Wheat

Units = tonnes	2020		2019
France	2,383,500	France	480,513
Australia	832,484	Kazakhstan	322,232
Lithuania	333,347	Lithuania	196,681
Kazakhstan	189,959	USA	139,462
USA	174,926	Australia	70,502
Russia	29,151	Russia	26,096
Canada	10,738		

Source: IHS Maritime & Trade: Global Trade Atlas ® – China Customs

Further publication of the trade data is prohibited, unless expressly permitted by IHS Maritime & Trade.

Barley

Units = tonnes	2020		2019
Ukraine	2,263,378	Australia	2,315,740
Canada	2,018,399	Canada	1,459,513
France	1,758,677	France	1,183,011
Australia	1,491,539	Ukraine	873,869
Argentina	391,700	Argentina	66,000
Kazakhstan	140,349	Kazakhstan	30,647
Denmark	9,737		

Russia	5,712		
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Source: IHS Maritime & Trade: Global Trade Atlas ® – China Customs

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Supply and demand

As at Feb 2022 Units = thousand tonnes	2020/21 Wheat	2020/21 Barley	2021/22 Wheat (forecast)	2021/22 Barley (forecast)
Beginning stocks	150,015	289	144,120	1,374
Production	134,250	2,036	136,946	2,000
Imports	10,618	12,049	9,500	10,500
Total supply	294,883	14,374	290,566	13,874
Exports	763	0	900	0
Feed domestic consumption	40,000	8,700	35,000	9,100
FSI consumption	110,000	4,300	112,500	4,300
Domestic consumption	150,000	13,000	147,500	13,400
Ending stocks	144,120	1,374	142,166	474

Source: USDA