



International Agricultural Trade Report

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Long-Anticipated Additional Chinese Corn Exports Dead in the Water

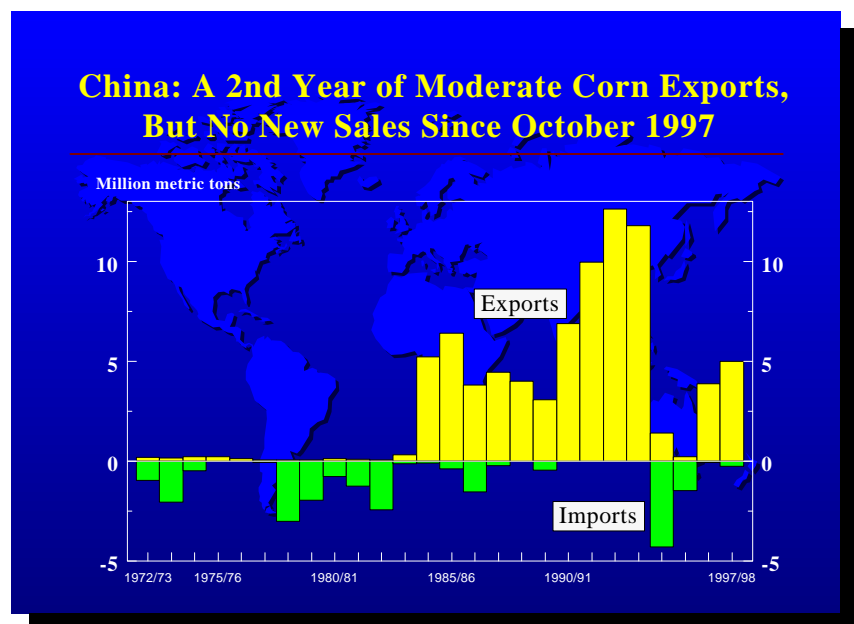
Summary

New export sales of corn by China in calendar 1998 have been virtually non-existent. Rising internal prices, coupled with an international market characterized by falling prices, and GSM into China's largest market (South Korea), has hampered China's ability to make new sales. Furthermore, actual exports from sales booked in 1997 have been running at a slower pace than anticipated. However, given the record crop that is about to be harvested in Argentina, little of the reduced competition from China is expected to accrue to the U.S.

Rising Internal Prices in China Divert Corn Away From Export Market

The consensus of grain traders just six weeks ago was that China would sell between 1.5 and 2 million tons of corn in March. In reality, less than 50,000 tons was booked. China's announced export prices have simply been too expensive, averaging \$10-20 higher than corn from other origins. The lack of new export business has not dampened the price runup, as interior corn values have continued to rise, and are now at the level of support prices.

In what is likely a coordinated response by Beijing to dampen rising price pressure, Chinese grain storage bureaus in the corn-surplus Northeastern region have begun releasing grain into the domestic market. While there has been no announcement from Beijing, internal documents from China's finance ministry would indicate that 1.5 - 3 million tons is to be injected into the pipeline over the next three months.



So, No Possibility of Chinese Corn Exports?

Not quite- the rise in internal corn prices coupled with stable soybean prices will possibly encourage an area shift from beans back to corn in 1998. This keeps the prospects of late 1998 corn exports afloat, although the high prices also make Chinese exports uncompetitive. However, even with a potentially larger crop in the Northeast, logistics of intra-Sino grain movement will have more to do with the import/export question than any total China supply and demand balance.

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