



MONTHLY REPORT

TRADE SERVICING

– WUSATA

March 2022



Monthly Trade Servicing Report

Market: China & HK Submitted by: China In-market Representative Month & Year: March 2022

Executive Summary

According to the FAS China office, it has observed an increase in shipments detained at Chinese ports in the early weeks of March because of issues related to the implementation of GACC Decree 248 and the varying application of the decree requirements at Chinese ports of entry.

The most common reasons exporters and importers are reporting that their shipments are detained include: 1) having a Chinese facility registration number that is for a different commodity class than the one being imported and, 2) that a product was produced or shipped before GACC added it to the list of products requiring registration. (Note: GACC continues to amend the products that are subject to the requirements of Decree 248).

GACC has worked with the FAS China office along with Chinese importers to release some shipments detained due to Decree 248 registration issues. Exporters are strongly encouraged to consult with their importers to ensure that their facilities are properly registered for their product before shipping.

Market Intelligence Update

Coronavirus cases climb in China, raising the threat of trade disruption

Chinese authorities on Tuesday tightened anti-virus controls at ports, raising the risk of trade disruptions, after some auto and electronics factories shut down as the government fights coronavirus outbreaks.

Stock prices in China and Hong Kong sank for a second day following the shutdown on Monday of Shenzhen, a tech and finance hub adjacent to Hong Kong in the south, and Changchun, an auto centre in the northeast. Bus service to Shanghai, China's business capital and biggest city, was suspended.

China's case numbers are low compared with other major countries or Hong Kong. But authorities are enforcing a "zero tolerance" strategy that aims to keep the virus out of the country. It has temporarily shut down major cities to find every infected person.

The restrictions come at a time when the global economy is under pressure from Russia's war on Ukraine, surging oil prices and weak consumer demand.

There was no sign of major disruption, but port operators announced curbs on face-to-face contact with shippers and sailors.

The agency that manages the Shanghai port closed windows where customers submit documents and said that function would go online. It gave no indication cargo-handling or other operations were affected.

The port of Lianyungang, north of Shanghai, announced foreign sailors were barred from leaving ships or using the city to change crews. Shenzhen suspended cross-border freight service at the Liantang crossing into Hong Kong. It said the Man Kam To crossing would be limited to handling fresh and live food to make sure Hong Kong gets adequate supplies.

The latest infection surge, blamed on a fast-spreading variant dubbed "stealth Omicron," is challenging Beijing's pandemic strategy.

All businesses in Shenzhen and Changchun except those that supply food, fuel and other necessities were ordered to close. Bus and subway services were suspended. Millions of residents were told to undergo virus testing.

China's retail sales up 6.7% in first two months

China's retail sales of consumer goods, a major indicator of consumption growth, rose 6.7 percent year on year to 7.44 trillion yuan (about 1.17 trillion U.S. dollars) during the first two months of 2022, the National Bureau of Statistics said Tuesday.

The growth rate was 5 percentage points higher than that in December last year, the bureau said.

Retail sales in urban areas reached 6.46 trillion yuan during the two-month period, up 6.7 percent year on year, while those in rural areas increased 7.1 percent year on year.

Retail sales of goods rose 6.5 percent from a year ago to 6.67 trillion yuan, while catering revenue hit 771.8 billion yuan, an increase of 8.9 percent year on year.

In the first two months, China's online retail sales continued to show robust expansion and reached 1.96 trillion yuan, up 10.2 percent year on year, the data showed.

China likely to continue to buy from alternative origin markets to meet feed grain needs

A prolonged conflict in the Black Sea and further La Nina damage in South America would put upside pressure on prices, says Rabobank.

“The conflict in Ukraine has temporarily, at least, frozen 6m metric tons of wheat and 15m mt of corn export capacity in that country as the ports are closed.

“We are also concerned about incipient dryness in the US; overall, there is a lot of price risk for grain and oilseed commodities, in fact it is the highest in recent memory,” said Michael Magdovitz, senior commodity analyst at Rabobank in a podcast recording.

Amid limited grain and oilseeds sales and export potential from Brazil, Argentina and the Black Sea, US demand and prices on CBOT are rising to multi-year highs, he said.

“Capacity is insufficient to satisfy global demand and it seems that commodity prices are rising to such a level as to detract buyers,” added Magdovitz.

The analyst, taking note of the current high-price environment, asked what it might mean for China’s feed demand, while highlighting that animal protein producer margins have shrunk dramatically in that market.

Lief Chiang, the bank’s grains and oilseeds specialist in China, said he believes that soybean meal (SBM) inclusion levels will be reduced in Chinese feed rations as well as the quantity of soybeans the country imports this marketing year.

Indeed, the USDA, in its February WASDE outlook, in relation to global 2021/22 soybean supply and demand forecasts, lowered soybean crush and imports for China by 3 million tons to 94 and 97 million, respectively.

Demand from China for feed grains such as corn and wheat is likely to be strong, though, even in this exceptionally low supplied market, said Chiang.

China is still traditionally a major importer of Ukrainian corn and barley. It may now seek out such feed grains from alternative origin markets to where it typically sourced from previously, he reported.

China still needs large quantities of feed grains this year, he said. The Asian country may buy additional corn from the US and, potentially, barley from France in the absence of supply from Ukraine.

It may even buy feed wheat from Russia. “It really depends on the price,” said the analyst.

Meanwhile, any chance for a break in high grain and oilseed prices is not going to come, realistically, before a successful harvest for Safrinha corn in Brazil, which is sown in January to March and harvested May to September, or before robust US and Northern Hemisphere grains and oilseeds harvests in autumn this year, stressed Magdovitz.

➤ ***Activities & Achievement***

This month’s activity is mainly related to trader contact for Mainland China and Hong Kong markets.

Thank You!

Submitted by SMH, China/Hong Kong In-market Representative

