

USDBC China Market Report

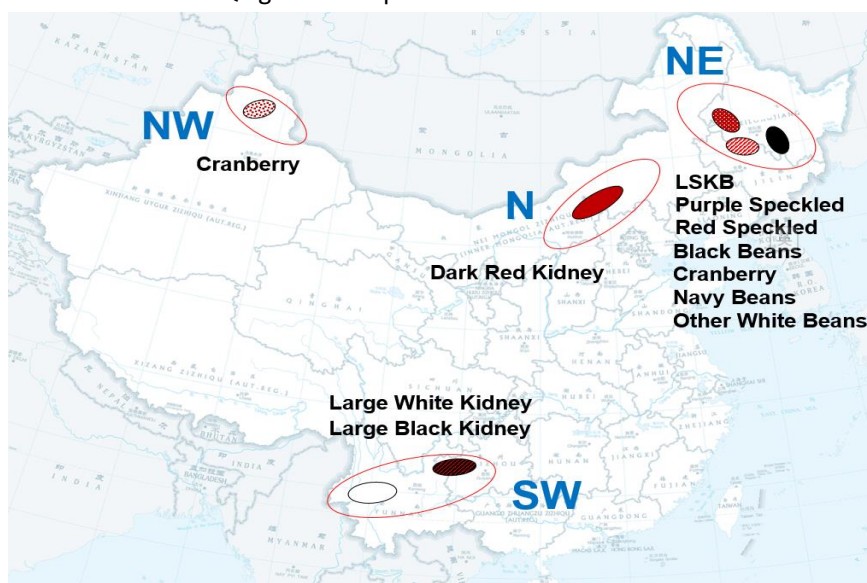
- Prepared by Xu Fang, China Market Consultant

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Overall, due to government's subsidizing policy granted to soybean growers and increasing production cost posed on dry bean growers, both the total planting area and production volume have decreased in 2020.

Harvest season for most of the varieties started from late August and will end in late October or mid-November in case of large lima beans. Due to the rain in China Southwest and the North and low temperature in the north from July to September, the overall production of dry beans was a slightly lower than what industry expected. From Sept. 1st to 8th, USDBC China market representative visited Heilongjiang, Inner Mongolia and Shanxi. Below is the summary of the 2020 production based upon his site visits, meeting with farmers, traders, and local government officials and information collected from China Pulse Conference held in Qingdao on September 5th.



China major dry bean production areas

Estimated production and Supply in 2020

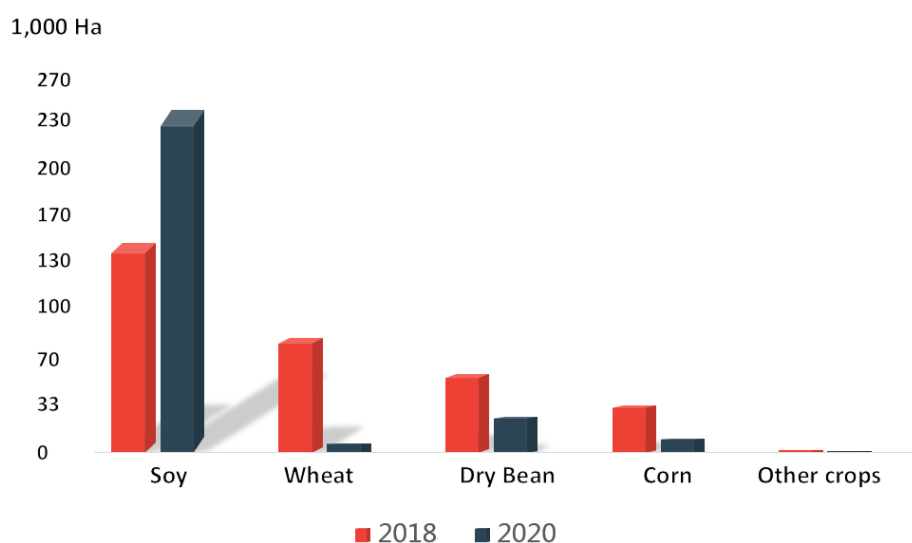
By the time when USDBC representative visited production areas in September, farmers had completed nearly 30% of harvesting. Based upon discussion with stakeholders and information collected from China Pulse Conference, the total production in 2020 is estimated to be 178,000 tons, which is 8.2% down from 2019. Including carryover stocks from 2019, the total supply for 2020 will be 210,000 tons, which is 3.3% down from 2019.

Production and carryover stocks in 2018 and 2019 (MT)

Varieties	2019	2020		
	Supply	Carry over stock from 2019	Production	Total supply
LSKB	60,000	14,000	43,000	57,000
PURPLE SPECKLED + RED SPECKLED	47,000	5,000	30,000	35,000
Black Bean	17,000	10,000	10,000	20,000
Navy Bean	4,700	1,000	3,000	4,000
Other white beans	5,000	2,000	2,000	4,000
Cranberry	11,500	0	6,000	6,000
Large White Kidney	28,000	0	40,000	40,000
Dark Red Kidney	42,000	0	42,000	42,000
Other varieties	2,000	0	2,000	2,000
Total	217,200	32,000	178,000	210,000

Northeast China

Due to subsidizing policy given to soybean growing by government on national and local level, the planting area of dry beans in Heilongjiang province have decreased significantly since 2016. The number of varieties has decreased year by year as well. Such varieties as DRKB, Cranberry beans, Japanese and Spanish white beans and small black beans have been gradually out of farmland over the past several years, leaving LSKB, purple speckled kidney beans (PSKB), red speckled kidney beans (RSKB) and navy beans being the major varieties grown in the China Northwest.



Changes on planting areas for various crops between 2018 and 2020

(Source: Heilongjiang Department of Agriculture)



Traders purchased navy beans from growers and shipped beans to processor's warehouse

● **LSKB**

The planting area this year for LSKB is approximately 26,700 ha, which is about 30% less than that of last year. The yield is around 1.6 ton/ha, slightly higher than last year. The total output is about 43,000 tons. The carryover stock from 2019 is 13,000-15,000 tons. The total supply will be 56,000-58,000 tons.



The total LSKB production in 2020 is expected to be 43,000 tons

● **PSKB and RSKB:**

The planting area for purple speckled kidney beans (PSKB) and red speckled kidney beans (RSKB) are 13,000 ha in total this year, which is about the same level as that of last year. Total production this years is expected to be 22,000 tons. Including 8,000 ton PSKB produced from the Southwest China, China's total production volume of PSKB and RSKB in 2020 is around 30,000 tons.



China's total production of PSKB and RSKB in 2020 is expected to be 30,000 tons

North China

DRKB is the major dry bean variety grown in this region which covers Shanxi, Inner Mongolia and Hebei Province. Shanxi Province contributes nearly 60% of the total production of this region.

The purchasing price in most production areas got increased in 2019, which provided farmers with a lot incentive to keep growing DRKB in 2020. Although the price of millet and corn increased significantly in 2019 as well, farmers had no choice but to stick to DRKB because of the severe drought which hit the record in the past decades. In 2020, the planting area in most of the traditional production areas have increased on different levels. Overall, the planting area of DRKB in Shanxi has increased 30% from 2019.

Due to the severe drought in spring, DRKB were planted quite late in many places this year. Seedlings was not ideal with a lot seedling failure. Replanting was conducted in many places. It was fortunate, however, there was plenty of rain after seedling. But due to 10 day drought during flowering stage pollination and podding have been greatly impacted. In addition, diseases in some places have seriously impacted yield and quality this year.



Yield was impacted by extreme weather condition.

Due to the short growing period and severe disease under extreme weather conditions, the yield in

most areas has been significantly lower than that in 2019. It is estimated that the yield will be somewhere between 1.64 and 2.24 ton/ha. The overall bean size is not as large as that of 2019 and the quality in some areas is not as good as that of 2019 either.



In many places, there were only three – four beans per pod (L). Serious pod mold on beans (R)

If the weather conditions are good, the total output of DRKB in 2020 is expected to be increased by 20% from 2019.

As the price of DRKB has been increasing significantly for two consecutive years, it is expected price speculation will make farmers reluctant to sell immediately after harvesting this year. Government officials, farmers and dealers are all expecting the price of DRKB to reach a new high level this year.



DRKB were collected from growers by traders. (L) Workers conducted sorting on production line. (R)

The uncertainty on currency exchange, shipping cost and development of pandemic will have great impact on the purchase price and sales price. It is expected the market will be filled with more challenges than ever.

Northwest China

Out of 10,000 tons cranberry beans produced in Xinjiang in 2019, 10% were used for export and 90% were consumed by domestic market. 2020 harvest in Xinjiang was completed in early September.



Cranberry beans is the major dry bean variety produced in Xinjiang

Impacted by high price of seeds in the 2019 season, the planting area of cranberry beans was greatly reduced in 2020. The planting area of dry beans in Xinjiang was about 2,000 ha, which were mainly for cranberry beans and small volume of DRKB, PSKB and red beans. The total production of cranberry is 6,000 tons in 2020.

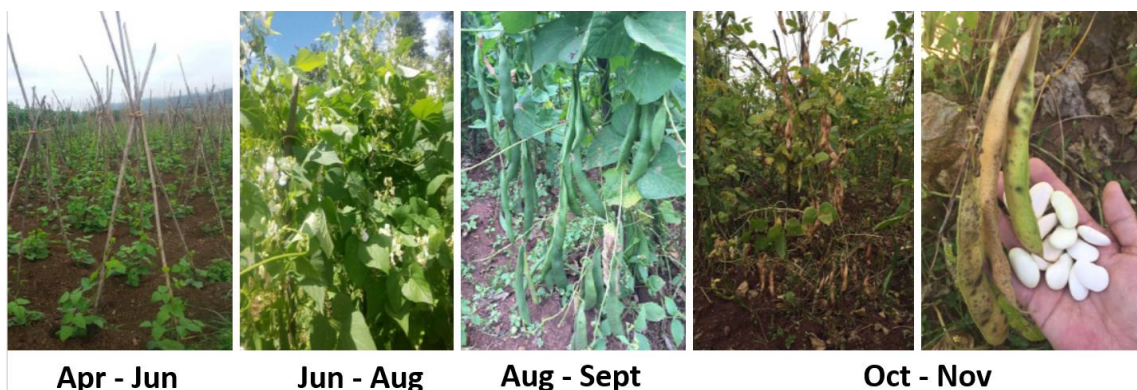
The weather condition in 2020 was very good for the growth of dry beans. Quality and yield were higher than previous years. Harvesting started in mid-August. COVID has impacted logistic on transportation and personnel arrangement. That's probably why the purchasing didn't start until mid-September.

Both planting area and production in 2020 reached the lowest record although quality is high. It is expected the carryover will be zero by the end of the season.

Southwest China

● Large Lima Beans

The planting area in 2020 increased about 30% from previous year. It is expected the total production will reach to 40,000 tons in 2020.



Apr - Jun

Jun - Aug

Aug - Sept

Oct - Nov

Farmers continued to sow large-size seeds in 2020 with hope for better yield of large lima beans. Although the weather was dry before July there was plenty of rain starting from August. Weather condition in October and November will be crucial to quantity and quality.

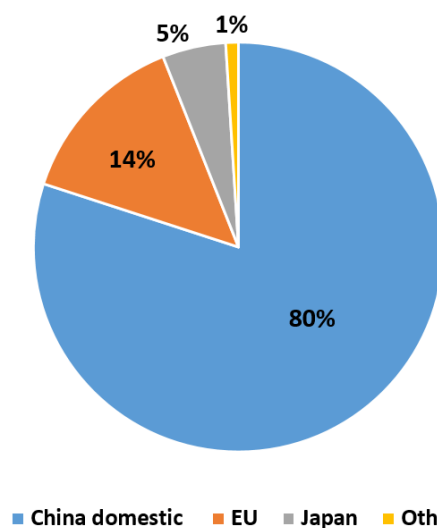


Due to the national policy on favoring soybean growing, the planting area of large lima beans has been greatly reduced. It is expected that the domestic market demand on large lima beans will continue to grow with expected volume reaching to 25,000 tons



Domestic market demand on large lima beans continues to grow in 2020

In EU market, it is expected that the price of China large lima bean will greatly decrease and thus be highly competitive, which will make EU's import volume of China lima beans increase significantly. Experts said that although large lima beans sizing 45/50/55 have been traditionally popular in EU market beans sizing 65-85 are expected to be well accepted this year as well.



Expected market destination of large lima beans in 2020
(Source: information from China Pulse Conference)

Due to the increasing demand on larger lima beans from both domestic and overseas market, it is expected that the price will fluctuate somewhere between \$1,176 – \$1,765/ton. For small lima beans, it is expected the price will fluctuate between \$ 882 - \$1,176/ton.