

Possible Issues With Chinese Corn Stockpiles

As we highlighted in several notes last month, China has recently made several unprecedented large purchases of corn from the United States. Overall, any deterioration in US-China relations is not having an impact on China's agricultural purchases. July 10th saw China purchase 1.365 million tons of US corn, which at the time marked China's largest one-day purchase of US corn since 1994. July 14th then saw 1.762 million tons purchased, which marked China's largest ever one-day purchase of US corn. More recently, July 30th saw 1.937 million tons of US corn purchased which now stands as China's largest ever one-day purchase.

Notable is that these record-setting purchases have come on the heels of reports of problems existing with stockpiles of Chinese corn (which have quickly been refuted by Chinese officials). In early July, a video was shared on social media showing moldy and very poor quality corn that had long been stockpiled inside of a warehouse managed by a Sinograin subsidiary in Heilongjiang province. After the video and reports in the global media surfaced, Sinograin refuted that there were any problems and announced that "After preliminary verification, the quantity and quality problems of the batch of corn reflected in the video are basically inconsistent with the facts... the quality requirements are basically consistent with the quality indicators of the batch of corn when it was submitted for auction". It is impossible to know if Sinograin has been entirely truthful, and it is also impossible to have complete conviction in the notion that existing corn stockpile issues have been a factor behind China's very large recent purchases of US corn, but certainly there is a significant chance that stockpile

issues have been a factor behind the purchases. We will be continuing to monitor purchases and will be continuing to publish updates.

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