The 2011 winter wheat crop is estimated at 114 million tonnes, 1 percent below 2010 level

In the Mainland China the persistent drought situation has not improved a great deal, however, given the reported massive efforts from the Government to provide irrigation and other inputs/resources to farmers the drought effect is expected to be mitigated somewhat. The estimate of the harvest at 114 million tonnes is slightly below last two years’ good crop. In the North China Plain, the main wheat growing area of the country, received some precipitation, either through cloud seeding or naturally, and experienced increased efforts on irrigation, easing drought conditions prevailing since the planting. The dry conditions reportedly have also lead to much higher incidence of pests and diseases on wheat crop.

Record 2010 cereal outputs gathered in spite of localized flood losses

In spite of the floods last year from May to August in several areas of the country, the total cereal production has been estimated at a record level of 496 million tonnes including paddy or 433 million tonnes including milled rice. The floods affected over 12 million people and damaged crops on 13 million hectares in areas including Guangdong, Guangxi, Fujian, Sichuan, Yunnan, Guizhou, Chongqing, Hubei, Hunan, Jiangxi, Anhui, Shaanxi and Gansu.

The production augmentation is partially seen a response to the higher procurement prices. The Minimum Purchase Prices (MPP) for all wheat in 2010 were increased by CNY 60/tonne from the previous year to CNY 1 800/tonne (USD 264) for white wheat and CNY 1 720/tonne (USD 252.6) for red and mixed wheat. For rice paddy (unmilled), the MPP for 2010 crop was CNY 1 860/tonne (USD 272.8) for early season Indica rice, CNY 1 940/tonne (USD 284.5) for intermediate season Indica rice and CNY 2 100/tonne (USD 308) for late season Japonica rice. These are higher than in the previous year by CNY 60 for early Indica, CNY 100 for middle and late Indica, and CNY 200 for Japonica.

Some liberalization of the market has also supported the increase in cereal production. Different from the previous years, when the Government was the sole buyer of wheat, many private enterprises involved in wheat processing and trading are now allowed to participate in purchasing of wheat at the official minimum purchase prices. This is expected to make the wheat market more competitive and favourable to farmers.

Given the significant improvement in the cereal production over the
past few years China (Mainland) has become virtually self sufficient in net trade terms. The total cereal imports in 2011/12 ((July/June) comprising of barley, maize, wheat and rice, are forecast at 5.7 million tonnes, showing a slight increase over the estimated imports during 2010/11.

**Cereal prices continue to rise**

Faced with soaring international food and fuel prices and inflationary pressures since 2006, China has implemented a series of policy measures and has effectively stabilized most of the domestic cereal prices and markets. However, the price of Japonica rice, consumed by the higher-income groups of the population, has been increasing reflecting sustained demand associated with growth of incomes. On the other hand, prices of Indica rice prices, the staple for the majority of the population, were more stable. Uncertain prospects for the current winter wheat harvest, combined with rising international price of wheat, have resulted in rising prices of the commodity in the domestic market in past several months.