

Milo Demand on Upswing in China

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- The Wichita Eagle
- Published Sunday, October 6, 2013

The grain sorghum industry sees the sun rising to the east – the Far East. A U.S. trade mission that included a McPherson-area farmer returned from China in mid-September with a sunny picture of the demand there. Chinese grain brokers and millers told the Americans that they wanted to buy a large chunk of U.S. production.

For U.S. producers of grain sorghum, also called milo, this couldn't have come at a better time. U.S. farmers are expected to produce a record 396 million bushels of grain sorghum this year, a huge uptick from last year. Grain sorghum consumes about half as much water as corn, and many farmers in drought afflicted states switched from corn when it came time to plant last spring. But adequate rain over the past several months has meant that both corn and sorghum crops are ample, a situation that generally drives prices down.

Although the domestic grain sorghum crop remains just about 2 to 3 percent of the size of the nation's corn crop, it's a big crop in Kansas. The state has traditionally been the Number 1 grain sorghum producing state, with Texas second. Most of the crop is used as livestock feed, but a portion also goes to ethanol production.

Until recently, there was little export to China. But this year Chinese grain mills used up their quota of imported corn early and have searched for other products to supply the domestic hog industry, said Adam Baldwin, a farmer in McPherson County who went on the trip. The Chinese won't get a new quota until January 1. Domestic Chinese corn is not a viable option as it is 20 percent more expensive than U.S. sorghum, according to Reuters' account of the trip.

There are no import quotas on sorghum, and Chinese grain importers and millers are desperately seeking cheaper alternatives to the 65 percent tariff for importing corn above the quota. Baldwin said that one trader in Guangzhou told the U.S. trade delegation that after meeting with them he was going to order seven more shiploads of grain sorghum.

Chinese buyers told those on the trade mission that they could take 15 percent to 40 percent of U.S. production, Baldwin said. "That is kind of scary when you think about it," Baldwin said, although he said he tends to doubt the high end of that demand claim.

Long term demand

Florentino Lopez, executive director of the United Sorghum Checkoff Program in Lubbock, Texas, said he's confident that demand in China will generally remain strong long term, despite

the fact that this opportunity depends on a Chinese government policy decision. “Without question there is a large need in China,” he said.

In fact, the market already has recognized the Chinese purchases by breaking the traditional lockstep pricing of the two grains. In recent weeks, the price of grain sorghum has leveled off, despite the record harvest, even as the price of corn falls.

Lopez said the opening of such a vast export market will help sustain grain sorghum prices in the long run. And the demand for meat by the large population that is growing wealthier means that the demand for feed grains will only grow. “The implication for pricing is promising,” Lopez said. After his visit, Baldwin said he’s convinced that China’s demand will be a long-term benefit to Kansas farmers. “There are cities there bigger than Chicago that we’ve never even heard of,” Baldwin said.

Note: U.S. farmers are expected to produce a record 396 million bushels of grain sorghum (milo) this year.