



Drought-Hit Wheat in China to Recover Even as Some Losses 'Irreversible'

Wheat in China Drought Areas May Recover

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"If the plants get watered after awaking from hibernation and start greening, production won't face any problems," said Yin Changwen, director of Shandong's drought-relief office. Still, without rain and irrigation, output is likely to fall, according to a Bloomberg News survey of five farmers in a region about 200 kilometers south of the provincial capital Jinan.

Wheat in Chicago climbed to the highest level since 2008 this week and a record in China on concern the worst drought in 60 years will cut output in the world's biggest producer and result in increased imports amid tightening global supplies. China, also the top consumer, may increase purchases from Australia to bolster reserves, according to CBH Group.

"Yes the plants can recover, but it's a big condition to meet," said Li Qiang, managing director of Shanghai JC Intelligence Co., referring to Yin's assumption that the crops will get irrigation or rain in the spring. "Clearly some of the losses are irreversible and getting adequate irrigation is a costly investment" that some farmers may not make, Li said.

In Shandong, about 34 million mu (2.3 million hectares) of wheat out of a total 53 million mu has been affected by a "largely light drought," said the drought office's Yin in an interview Feb. 14 in Jinan. "About 90 percent of the total 53 million mu wheat can be assured" of access to water, he said.

About 30 million mu of wheat in Shandong was watered before the winter, Yin said. The remaining 20 million mu didn't get irrigated because it hadn't been as necessary in the past or the facilities to do so weren't in place, he said.



“Don’t let the government fool you: this drought is destroying us farmers,” said 70-year old Li Zhongchun, who farms half an acre of wheat near Qufu, the ancestral home of Confucius. In addition to the lack of rain, the area has had a freezing winter, killing some of the weaker seedlings that normally would have been protected by snow, Li said.

May-delivery wheat gained as much as 1 percent to \$8.7775 a bushel on the Chicago Board of Trade, and was at \$8.775 at 12:58 p.m. Singapore time. The most active contract gained to \$9.1675 on Feb. 14, the highest price since August 2008. Futures have jumped 72 percent over the past year.

‘Big Investment’

“Planting wheat is too big an investment,” said 36-year-old Hu Bo, a farmer near Liu Zhuang village. To water 1 mu needs about 5 kilograms of diesel, costing about 50 yuan (\$8), and about a further 100 yuan for fertilizers, said Hu, standing next to a 12-horsepower tractor used to deliver water from a nearby well. Per capita net income in rural areas was 5,919 yuan last year, according to the statistics bureau.

Hu farms about 4 mu of wheat near Jining city, where Premier Wen Jiabao visited during the Lunar New Year to inspect drought-relief efforts. The government is giving 20 yuan per mu in irrigation and fertilizer subsidies, said the drought office’s Yin.

“If it rains in the next little while, we might get the same yield as last year,” Hu said.

Any drop in output this year doesn’t mean China will have supply problems or need to import wheat immediately to feed itself because there are enough stockpiles to plug any shortfall, Shanghai JC’s Li said. Production exceeded demand by 8 million tons in 2009-2010, while China’s net imports were 502,000 tons, U.S. Department of Agriculture data show.

‘Too Late’

The drought in wheat-growing regions may persist in March and rain may come “too late” to avert damage to crops, Jim Dale, senior risk meteorologist at British Weather Services, said in interview published yesterday. China may increase wheat imports to bolster domestic reserves when prices ease, Tom Puddy, head of grain marketing at CBH, said yesterday.

Still, overall the area affected by drought has declined, according to the central government. About 36 percent of winter wheat planted in eight major growing provinces are affected, and 6 percent are under “severe drought” as of Feb. 14, the Ministry of



Agriculture said Feb. 15. That compared with 42 percent and 9 percent as of Feb. 9, according to the ministry.

Nie Zhenbang, director of China's State Administration of Grain, said grain supply is in balance with demand and stockpiles are ample.

Shandong has "relatively sufficient" water reserves after it reinforced some of its older reservoirs, drought official Yin said. In past times before irrigation, drought damage to young wheat plants was irreversible, said farmer Li.

"It won't be a complete loss," Li said. Afterall, "this is the home of Confucius, and even the heavens will have to spare Confucius some face."

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