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**Date:** 10/13/2011

**GAIN Report Number:** CH11047

## **China - Peoples Republic of**

### **Sugar Semi-annual**

#### **Semi-annual**

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**Report Highlights:**

In MY 2011/12, total sugar production is forecast at 11.8 MMT (raw value), up five percent due to an increase in acreage. In MY 2010/11, total sugar production is estimated at 11.2 MMT (raw value), down two percent because of frost damage. For MY 2011/12 sugar imports are forecast at 2.2 MMT (raw value), a 15 year record high on rising domestic consumption and consecutive years of low sugar production.

**Executive Summary:**

In MY 2011/12, total sugar production is forecast at 11.8 MMT (raw value), up five percent due to an increase in acreage. In MY 2010/11, total sugar production is estimated at 11.2 MMT (raw value), down two percent because of frost damage. For MY 2011/12 sugar imports are forecast at 2.2 MMT (raw value), a 15 year record high on rising domestic consumption and consecutive years of low sugar production.

**Centrifugal Sugar Production**

In MY 2011/12, total sugar production is forecast at 11.8 MMT (raw value), up five percent due to an increase in acreage. Cane sugar and beet sugar production is projected at 10.8 MMT and 1 MMT (raw value), rising 5 and 15 percent from the previous year. In MY 2010/11 total sugar production is estimated at 11.2 MMT (raw value), down 2 percent due to frost damage and low temperature.

Sugar beet crushing begins in different months. For example, crushing commences in September for the northern province of Heilongjiang, while most of the other major provinces such as Xinjiang and Inner Mongolia start in early October. According to industry sources, sugar cane crushing season starts in late November.

**Sugar Cane**

For MY 2011/12, sugar cane area is forecast at 1.74 million hectares (ha), up three percent from last year. The yield is higher than last year, when yields were damaged by frost and low temperature. In MY 2011/12, low temperatures and drought in spring and summer have prevented the crop from maturing at a normal rate. That was alleviated by two typhoons in late September and early October which brought more than sufficient rainfall to major producing areas such as Guangxi, Guangdong, and Hainan. Because of this rainfall, industry sources expect the crop condition will improve before the crushing season starts in late November. Sugar cane accounts for 87 percent of China's total sugar area (sugar cane and sugar beet). Guangxi is the largest sugar cane producing province (64 percent of China's total sugar cane production), followed by Yunnan, Guangdong, and Hainan provinces.

In the past, drought has caused the most damage to China's sugar cane crop. Most sugar cane is planted on hills, and has limited to no irrigation facilities. According to the 12<sup>th</sup> five-year plan (2011-2015) on crop development by the Ministry of Agriculture (MoA), the central government plans to invest in water conservancy and irrigation facilities in key sugar cane producing regions (central and southern parts of Guangxi province, southwestern part of Yunnan, Leizhou peninsula of Guangdong province and northern part of Hainan province). Other 12<sup>th</sup> five-year goals include: stabilizing cane acreage, improving yields, and raising the sugar content.

Sugar mills encourage farmers to plant sugar cane by raising prices (The industry price must be in tandem with the government sugar guidance price. See Gain Report CH11019 for more information).

For instance, the cane price in MY 2010/11 rose by more than 20 percent from the previous year. However, despite high purchase prices, higher fuel, fertilizer, and labor costs have risen to record highs, and may be affecting farmer's planting intentions, causing them switch to other more profitable crops

such as fruits (bananas), vegetables, and cassava. For example, Guangxi province acreage rose by less than five percent in MY 2010/11. Because sugar cane farms are small, there is no mechanized planting or harvesting.

Purchase Price of Sugar Cane in Major Producing Provinces				
RMB per MT (USD \$1.00 = RMB 6.50)				
	Guangxi	Yunnan	Guangdong	Hainan
MY 2008/09	275	231	245	268
MY 2009/10	350	280	400-410	270
MY 2010/11	482	350	540-550	450
MY 2011/12 is not available				
Industry Sources				

### Sugar Beets

For MY 2011/12, sugar beet area is forecast at 240,000 ha, up 10 percent from last year. In response to higher beet prices, farmers improved their on-farm management such as using plastic film to help retain soil moisture, as well as invest in more irrigation. Xinjiang, Heilongjiang, and Inner Mongolia comprise approximately 90 percent of China's total sugar beet output.

For beet production, the provincial government does not mandate a sugar beet guidance price. In MY 2010/11 and MY 2011/12 sugar mills raised their contracting price to encourage more acreage. For instance, in MY 2011/12, sugar mills in Xinjiang and Heilongjiang announced they planned to raise prices by 20 and 15 percent. In addition, some mills have begun offering a mechanized harvesting service for their contracted farms.

Purchase Price of Sugar Beets in Major Producing Provinces			
RMB per MT (USD \$1.00 = RMB 6.5)			
	Xinjiang	Heilongjiang	Inner Mongolia
MY 08/09	300-330	320-370	320-340
MY 09/10	280	320-370	320-360
MY 10/11	380	480	400
MY 11/12	420-490	550	480
Industry Sources			

### Consumption

MY 2011/12 sugar consumption is forecast at 14.3 MMT (raw value), up two percent from the previous year. However, due to rising domestic sugar prices, more food processors and beverage manufacturers are using starch sugar (including HFCS), which is relatively less expensive.

### Trade

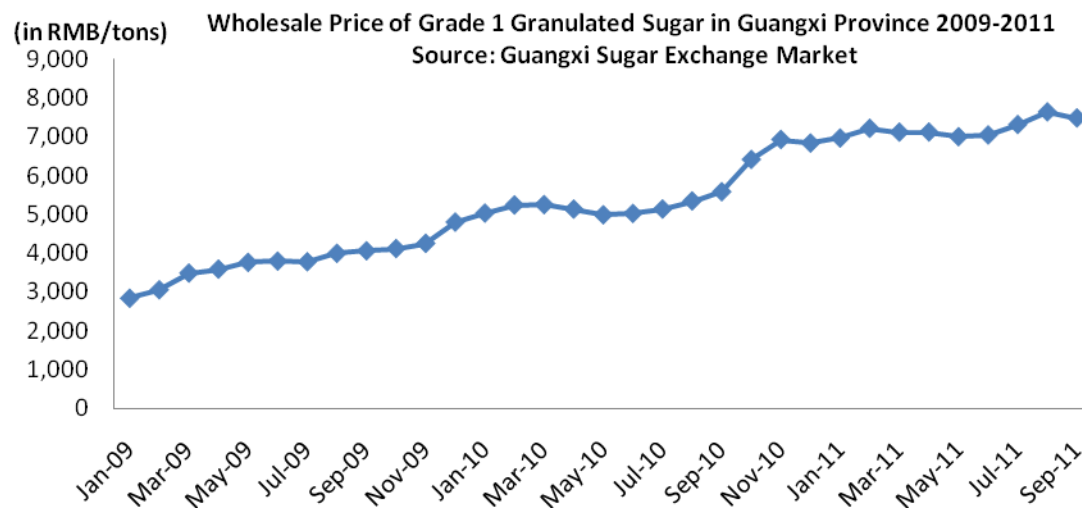
MY 2011/12 sugar imports are forecast at 2.2 MMT, a 15 year record high. Because of low sugar production in the last 2 years, sugar imports have maximized the in-quota TRQ. Imports are becoming

necessary not only for meeting domestic consumption needs, but also for replenishing the state reserve, which is estimated to be at relatively low level, about one month of domestic use.

The CY 2011 TRQ is 1.95 MMT, with an in-quota-tariff of 15 percent. The CY 2011 out-of-quota tariff rate is 50 percent. Since 2005, the quota and tariff rate have not changed.

### Stocks

For MY 2011/12, ending stocks are forecast at 1.3 MMT (raw value), 300,000 tons lower than last year. The government is expected to import more sugar to replenish the state reserves. Some trade sources report that the government might issue additional quotas (without charging out-of-quota tariff rates) for state trading companies if the international market price is competitive. Many industry contacts agree that an adequate stock level for China should be around 3 MMT, or an equivalent of two month's domestic use.



The central and provincial governments manage reserves to stabilize market prices and ensure adequate supplies. The National Development and Reform Commission is the lead agency that decides on the scale and the timing of purchases and auctions (For more information see GAIN CH10057 or CH10015). During MY 2010/11, the government auctioned 1.86 MMT of sugar from state reserves to mitigate price rises, while in MY 2009/10, it auctioned 1.71 MMT of sugar in its 8 monthly auctions.

Auctions of State Sugar Reserves (tons) in MY 10/11		
Date	Quantity	Average Price(in RMB)
10/22/2010	220,000	6,681
11/22/2010	200,000	6,296

12/22/2010	200,000	6,867
02/28/2011	150,000	7,424
05/31/2011	250,000	6,844
07/06/2011	250,000	7,357
08/05/2011	190,000	7,730
08/23/2011	200,000	7,672
09/16/2011	200,000	7,050
Total to date	1,86000	

## Other Sweeteners

### Saccharine

The China Sugar Association (CSA) (a government entity) limits domestic saccharine sales to promote domestic sugar cane and beet production, which ultimately benefits local farmers. Because of these restrictions, China annually exports more than it consumes. In January-August 2011, the CSA reported that saccharine production reached 10,486 tons. During the same period, exports reached 7,955 tons, down 5.2 percent from the same period last year. Domestic sales reached 1,631 tons, up 7.7 percent.

### Starched-based Sweeteners

In CY 2011 the CSA stated that starch sugar production will rise over 10 percent to 10 MMT. In CY 2010, total starch sugar production reached 9.23 MMT (starch sugar (in solid form) was 3.2 MMT and liquid starch sugar was 6.03 MMT), up 25% from the previous year. In the last few years, major starch sugar end-users, including the beverage, food processing, and pharmacy sector began substituting starch sugar because of high domestic sugar cane and beet prices. For instance, according to CSA's estimate, starch sugar used by Coca and Pepsi accounts for 50% and 35 % of their total sugar use.

## Tables

### Production, Supply, and Demand (PSD) Tables

Table 1. Centrifugal Sugar

Sugar, Centrifugal China	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Offici al	New Post	USDA Offici al	New Post	USDA Offici al	New Post	
Beginning Stocks	3,784	3,784	2,355	2,355	1,514	1,607	(1000 MT)

Beet Sugar Production	652	652	863	863	1,000	990	(1000 MT)
Cane Sugar Production	10,777	10,777	10,440	10,336	11,000	10,850	(1000 MT)
Total Sugar Production	11,429	11,429	11,303	11,199	12,000	11,840	(1000 MT)
Raw Imports	1,342	1,342	1,600	1,850	1,600	1,950	(1000 MT)
Refined Imp.(Raw Val)	193	193	220	280	250	250	(1000 MT)
Total Imports	1,535	1,535	1,820	2,130	1,850	2,200	(1000 MT)
Total Supply	16,748	16,748	15,478	15,684	15,364	15,647	(1000 MT)
Raw Exports	4	4	4	5	4	4	(1000 MT)
Refined Exp.(Raw Val)	89	89	60	72	60	70	(1000 MT)
Total Exports	93	93	64	77	64	74	(1000 MT)
Human Dom. Consumption	14,300	14,300	13,900	14,000	13,600	14,300	(1000 MT)
Other Disappearance	0		0		0		(1000 MT)
Total Use	14,300	14,300	13,900	14,000	13,600	14,300	(1000 MT)
Ending Stocks	2,355	2,355	1,514	1,607	1,700	1,273	(1000 MT)
Total Distribution	16,748	16,748	15,478	15,684	15,364	15,647	(1000 MT)

**Table 2. Sugar Cane**

Sugar Cane for Centrifugal China	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	1,709	1,697	1,777	1,686		1,740	(1000 HA)
Area Harvested	1,709	1,697	1,777	1,686		1,740	(1000 HA)
Production	115,587	115,587	125,000	110,789		116,000	(1000 MT)
Total Supply	115,587	115,587	125,000	110,789		116,000	(1000 MT)
Utilization for Sugar	115,587	115,587	125,000	110,789		116,000	(1000 MT)
Utilizatn for Alcohol	0		0				(1000 MT)
Total Utilization	115,587	115,587	125,000	110,789		116,000	(1000 MT)

**Table 3. Sugar Beets**

Sugar Beets China	2009/2010		2010/2011		2011/2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	

		t		t			
Area Planted		186		219		240	(1000 HA)
Area Harvested		186		219		240	(1000 HA)
Production		7,179		9,296		10,300	(1000 MT)
Total Supply		7,179		9,296		10,300	(1000 MT)
Utilization for Sugar		7,179		9,296		10,300	(1000 MT)
Utilizatn for Alcohol							(1000 MT)
Total Distribution		7,179		9,296		10,300	(1000 MT)

### Price Table

**Table 4. Wholesale Price of Grade 1 Granulated Sugar in Guangxi Province**

RMB per MT (USD \$1.00=RMB 6.5)					
Month	2007	2008	2009	2010	2011
January	3,656	3,442	2,828	5,025	6,961
February	3,599	3,657	3,045	5,236	7,213
March	3,760	3,528	3,478	5,244	7,114
April	3,723	3,360	3,579	5,129	7,117
May	3,639	3,250	3,753	4,981	6,997
June	3,576	3,216	3,786	5,017	7,041
July	3,476	3,081	3,770	5,130	7,310
August	3,867	2,802	3,986	5,339	7,636
September	3,736	2,751	4,052	5,578	7,421
October	3,925	2,746	4,110	6,410	
November	3,595	2,911	4,246	6,924	
December	3,498	2,905	4,793	6,832	
Yearly Average	3,671	3,137	3,786	5,025	
Source: Guangxi Sugar Exchange Center and Guangxi Sugar Market					
Website: <a href="http://www.chinasugarmarket.com">www.chinasugarmarket.com</a> and <a href="http://www.gsmn.com.cn">http://www.gsmn.com.cn</a>					

### Trade Tables

**Table 5. China's Sugar Imports by Origin - MY 2009/2010 (MT)**



Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>World</b>	111,978	88,959	319,575	956,677	1,477,189
<b>Brazil</b>	45,595	100	49,482	726,942	822,119
<b>Korea South</b>	38,456	21,476	42,497	44,814	147,243
<b>Cuba</b>	23,000	60,000	163,625	121,500	368,125
<b>United Kingdom</b>	0	2,486	638	1,738	4,862
<b>Australia</b>	247	571	2,500	57,253	60,571
<b>Poland</b>	0	0	240	0	240
<b>Colombia</b>	0	0	26	3	29
<b>Malaysia</b>	183	22	22	0	227
<b>Thailand</b>	4,276	2,312	3,803	1,925	12,316
<b>New Zealand</b>	0	0	0	0	0
<b>Mauritius</b>	0	10	42	195	247
<b>Argentina</b>	48	50	48	0	146
<b>United Arab Emirates</b>	0	0	0	25	25
<b>India</b>	0	0	0	0	0
<b>Others</b>	173	1,932	56,652	2,282	61,039

Source: China Customs

**Table 6. China's Sugar Imports by Origin - MY 2010/2011 (MT)**

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>World</b>	400,904	79,405	441,148		921,457
<b>Cuba</b>	24,875	30,500	252,850		308,225
<b>Thailand</b>	1,394	7,575	139,707		148,676
<b>Korea South</b>	46,300	33,784	38,012		118,096
<b>Myanmar</b>	0	1,491	4,403		5,894
<b>Malaysia</b>	1,519	0	1,927		3,446
<b>Australia</b>	3,676	106	1,272		5,054
<b>Vietnam</b>	0	0	1,075		1,075
<b>Colombia</b>	2,080	2,288	1,040		5,408
<b>India</b>	52	1,040	520		1,612
<b>Brazil</b>	312,940	1,143	138		314,221
<b>Mauritius</b>	152	110	111		373
<b>Germany</b>	24	1	30		55
<b>Japan</b>	48	17	29		94
<b>United Arab Emirates</b>	75	0	17		92
<b>Others</b>	7,769	1,350	17		9,136

Source: China Customs

**Table 7. China's Sugar Exports by Destination - MY 2009/2010 (MT)**

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>World</b>	15,045	33,990	23,170	14,472	86,677
<b>Hong Kong</b>	7,460	7,303	6,541	8,343	29,647
<b>Mongolia</b>	300	2,450	0	256	3,006

<b>Malaysia</b>	1,033	3,261	1,987	1,107	7,388
<b>Singapore</b>	2,104	274	1,622	1,009	5,009
<b>Kuwait</b>	18	5	5	9	37
<b>United States</b>	1,109	343	1,023	763	3,238
<b>Saudi Arabia</b>	76	1,555	134	96	1,861
<b>Yemen</b>	147	105	168	74	494
<b>Korea North</b>	90	234	1,161	931	2,416
<b>Canada</b>	325	264	489	156	1,234
<b>Egypt</b>	114	132	179	144	569
<b>Japan</b>	60	1,352	2,100	237	3,749
<b>Macau</b>	115	231	121	204	671
<b>Others</b>	2,094	16,481	7,640	1,143	27,358

**Table 8. China's Sugar Exports by Destination - MY 2010/2011 (MT)**

<b>Country</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>MY Total</b>
<b>World</b>	22,716	15,008	20,671		58,395
<b>Hong Kong</b>	7,748	7,703	8,406		23,857
<b>Mongolia</b>	4,709	2,592	5,719		13,020
<b>Malaysia</b>	3,504	475	886		4,865
<b>Singapore</b>	2,516	225	252		2,993
<b>Kuwait</b>	1,000	33	25		1,058
<b>United States</b>	878	543	1,055		2,476
<b>Saudi Arabia</b>	520	160	195		875
<b>Yemen</b>	271	604	206		1,081
<b>Korea North</b>	257	81	89		427
<b>Canada</b>	235	172	348		755
<b>Egypt</b>	192	96	16		304
<b>Japan</b>	178	1,590	2,450		4,218
<b>Macau</b>	143	171	101		415
<b>Others</b>	565	563	923		2,051

