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Report Highlights:

MY 2022/23 cane sugar production is estimated at 7.92 MMT, revised down 1.08 MMT from the USDA official estimate due to lower-than-normal rainfall in Guangxi, China's largest sugar producing province. Sugar consumption has begun to rebound since after the removal of COVID-related restrictions. As China's sugar imports are curbed by high world prices, stocks are likely to decline.

Cane Sugar Production

Marketing year (MY) 2023/24 (Oct-Sep) cane sugar production is forecast at 8.9 million metric tons (MMT), up 980,000 metric tons (MT) from the revised MY 2022/23 estimate. This projected increase assumes that, after lower-than-normal rainfall in 2022, precipitation in Guangxi will return to normal in 2023, MY 2023/24 cane production should rebound, accordingly. This also assumes Yunnan will produce more sugar by importing cane from neighboring countries without disruptions.

The MY 2023/24 sugar cane area is forecast at 1.21 million hectares, flat from MY 2022/23. In 2022, Guangxi began removing 1 million mu (66,667 hectares) of Eucalyptus trees from arable land and replacing with other crops including cane. Local municipal governments in Guangxi are reportedly to provide financial incentives as high as RMB1300 per mu (\$2,868 per hectare, \$1=6.8RMB) to farmers that switch from Eucalyptus to sugar cane. This move will help to stabilize cane area in Guangxi which faces competition from crops such as citrus.

Even with sugar cane acreage remaining unchanged, Yunnan could increase sugar production in MY 2023/24. Specifically, if there is no disruption in the flow of cane imports from neighbors such as Laos and Myanmar, where cane production costs are lower. For example, Myanmar's domestic cane purchase prices are MMK70,000-90,000 (US\$32.9-42.3) per MT; as comparison, in Yunnan, cane prices are RMB450 (US\$66.2) per MT. Both Laos and Myanmar are parties to the [Regional Comprehensive Economic Partnership \(RCEP\)](#) trade agreement with China, therefore their cane exports to China are duty free.

MY 2022/23 cane sugar production is estimated at 7.92 MMT, revised down 1.08 MMT from the USDA official estimate. This decline is mainly a result of reduced cane production caused by lower-than-normal rainfall in Guangxi, particularly in October-November 2022.

Guangxi

From mid-November 2022 to the end of March 2023, Guangxi processed 41.21 MMT of cane and produced 5.26 MMT of sugar, reduced 8.43 MMT and 778,500 MT year-on-year (YOY), respectively. Guangxi's sugar recovery rate in MY 2022/23 is 12.78 percent, an increase of 0.6 percent over that of MY 2021/22. In MY 2022/23, Guangxi is estimated to produce 5.3 MMT of sugar, down 700,000 MT from its usual production level of 6 MMT.

Yunnan

From early November 2022 to the end of March 2023, after processing 13.48MMT of cane, Yunnan produced 1.78 MMT of sugar, an increase of 273,300 MT and with a sugar recovery rate of 13.04 percent. In MY 2022/23, Yunnan is estimated to produce over 2 MMT of sugar, slightly higher than to that of MY 2021/22.

In recent years, Yunnan imports an increasing amount of cane from neighboring countries such as Laos and Myanmar for its sugar production. In MY 2021/22, even with the trade disruption caused by COVID related restrictions, Yunnan still managed to import a historically high record of 1.92 MMT of sugar cane and produced about 240,000 MT of sugar (at a sugar recovery rate of 12.3 percent). In MY 2022/23, by the end of February, Yunnan had imported 1.46 MMT of cane, among which 51 percent was from Laos and 48 percent from Myanmar. By the end of the MY 2022/23 milling season, Yunnan will eventually import an estimated 2.2 MMT of cane and produce nearly 290,000 MT of sugar (at a sugar recovery rate of 13 percent), which could account for almost 15 percent of its total provincial sugar production.

Guangdong

In MY 2022/23, after completing its milling season at the end of March 2023, Guangdong processed 5.28 MMT of cane and produced 518,400 MT, both declined slightly from those of MY 2021/22.

Hainan

In MY 2022/23, from December 18, 2022, to March 3, 2023, Hainan processed 708,000 MT of cane and produced 85,000 MT of sugar, similar to production in MY 2021/22.

To protect the interests of sugar growers, many of which are smallholder farmers, local municipal governments set annual reference prices for sugar cane purchases. Both the millers and farmers respect this reference price in settling contracts. The MY 2022/23 reference prices remain unchanged from those of the previous marketing year.

Table 1: Purchase Price of Sugar Cane in Major Producing Provinces

(in RMB, \$1=RMB6.8)

	Guangxi	Yunnan	Guangdong	Hainan
MY 2019/20	490-520	450	380-450	500
MY 2020/21	490-520	450	420	500
MY 2021/22	490-520	450	420	500
MY 2022/23	490-520	450	420	500
MY 2023/24 (est.)	490-520	450	420	500

Source: industry contacts and various news reports

Background

Cane sugar accounts for over 85 percent of China’s total sugar production. Sugar cane grows in the south and southwest parts of the country, mainly in Guangxi, Yunnan, Guangdong, and Hainan provinces. (Chart 1) Guangxi alone accounts for 60-65 percent of total cane sugar production. The average yield of cane per hectare is about 65 metric tons and the sugar recovery rate is usually between 12 and 13 percent.

Cane sugar producers face a variety of challenges including scarce labor, limited mechanization, and growing competition from other crops. The available labor pool is also limited because the younger generation prefers to move to urban centers in search of work. Increasing demand pushes labor prices higher. Farm labor costs in Guangxi are about RMB170 (US\$25) per metric ton, or about one-third the price the farmer receives when cane is sold to the mills. Mechanized development is constrained by hilly terrain and small-scale farms. Growing other crops, especially other fruits including citrus and dragon fruit, is becoming increasingly attractive with climbing consumer demand; these products compete for the same land as sugar.

Nevertheless, sugar cane planted area is expected to remain relatively stable over the long term. Like rice, wheat and corn, sugar cane is considered a staple crop. These staple crops, seen as a cornerstone of Chinese food security, receive constant and extensive attention by Chinese central government to maintain stable production.

To ensure central government goals are met regarding sugar, the Guangxi government continues to provide financial incentives to encourage planting and promote mechanization in areas where it is geographically feasible. Cane farmers receive support for instituting mechanized seed and harvesting practices. Yunnan also offers growers various forms of support to keep overall cane acreage from declining.

Chart 1: China's major sugar cane production areas by province



Source: [blank map](#) by dmap.com, edited by ATO Guangzhou

Beet Sugar Production

MY 2023/24 beet sugar production is forecast at 1.1 MMT, up 20,000 MT from the revised MY 2022/23 estimate. This projected increase assumes that the weather conditions in both Inner Mongolia and Xinjiang are in favor of beet growing and harvesting. High sugar prices could help keep beet acreage stable and encourage millers to pay higher beet purchase prices and provide farmers increased support in the form of seeds, machinery, and field management practices.

MY 2022/23 beet sugar production is estimated at 1.08 MMT, slightly up 80,000 MT from the USDA official estimate and in line with the latest estimate by China's Ministry of Agriculture and Rural Affairs (MARA).

Inner Mongolia

At the end of January 2023, Inner Mongolia completed its milling season. In MY2022/23, with a sugar recovery rate of 13.22 percent, Inner Mongolia processed 4.42 MMT of beet and produced 583,000 MT of sugar, increased 520,000 MT and 113,000 MT respectively YOY.

Xinjiang

As of February 25, 2023, Xinjiang has completed its milling season. In MY 2022/23, with a sugar recovery rate of 11.83 percent, Xinjiang processed 3.85 MMT of beet and produced 455,800 MT of sugar, which increased 118,300 MT YOY.

Sugar beet purchase prices are market driven and are specified in grower-miller contracts that are signed prior to planting. The MY 2022/23 purchase price for sugar beets were at RMB580 (\$85.3) per MT, higher than those of MY 2021/22.

Table 2: Purchase Price of Sugar Beets in Major Producing Provinces

(in RMB, \$1=RMB6.8)

	Inner Mongolia	Xinjiang	Heilongjiang
MY 2019/20	520	460	N/A
MY 2020/21	540	460-510	520
MY 2021/22	550	510-560	520
MY 2022/23	580	520-580	N/A
MY 2023/24 (est.)	580	520-580	N/A

Source: industry contacts and various news reports

Background

Beet sugar accounts for 10-15 percent of China's total sugar production. Sugar beets grow in the north and northwestern parts of China, mainly in Inner Mongolia, Xinjiang, and Heilongjiang provinces. (Chart 2) Inner Mongolia is the leading beet sugar producer, accounting for over 50 percent of beet production. Xinjiang is the second largest producer with 40-45 percent of production. The average sugar beet yield is about 52-54 metric tons per hectare, with a sugar recovery rate of 11-12 percent.

Unlike the sugar cane growing areas in the south, the sugar beet growing areas in northern China are suitable for large-scale farming with a high level of mechanization, which results in lower costs for labor and makes the beet sugar industry more profitable than its cane sugar counterpart.

Beet sugar growers and producers face a variety of challenges including growing competition from other crops, climbing production costs (i.e., increased land rental prices), and market risks (i.e., price volatility).

Chart 2: China's major sugar beet production areas by province



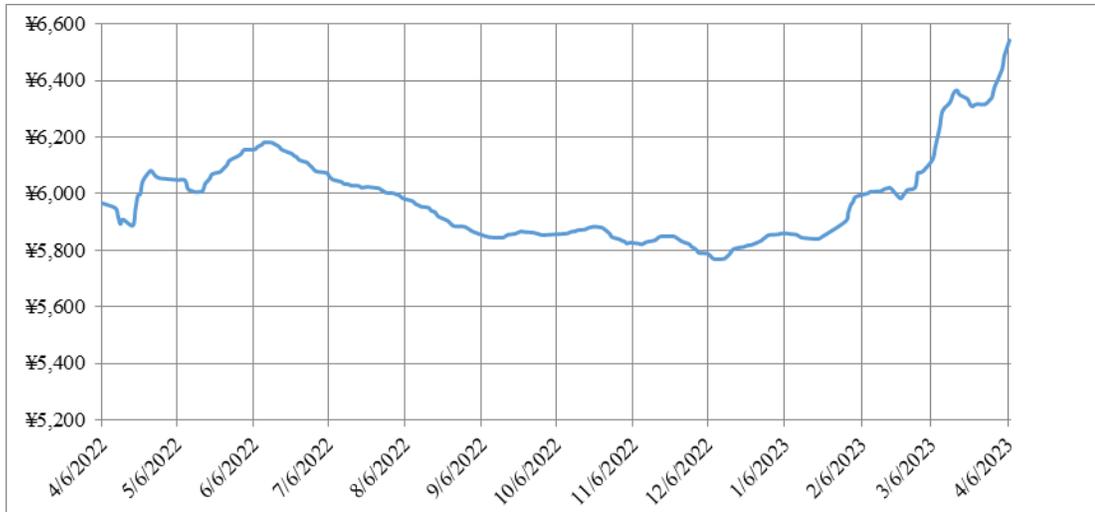
Source: [blank map](#) by dmap.com, edited by ATO Guangzhou

Centrifugal Sugar Production

MY 2023/24 total sugar production is forecast at 10.1 MMT, up 1.1 MMT from the MY 2022/23 estimate. This projected increase assumes that weather returns to normal in Guangxi, smooth sugar cane importation in Yunnan, and continued incentivization for sugar beet mills and farmers. The planting areas for both cane and beet should remain stable due to the continuation of high sugar prices.

MY 2022/23 total sugar production is estimated at 9 MMT, down 1 MMT from the official USDA estimate. The decline is mainly due to abnormal weather conditions in Guangxi. Industry insiders are bullish on MY 2022/23 sugar prices forecasting that world sugar prices will rise, and Chinese sugar prices will follow suit. On April 11, 2023, China sugar futures price was at RMB6,696 (\$984.71) per MT, the highest since April 2017; and the world price (U.S. sugar #11) was at 23.91 cents per pound (\$527.21/MT), the highest since April 2012.

Chart 3: China's sugar price per metric ton, April 2022 - April 2023



Source: data by www.msweet.com.cn

Over the long term, industry experts expect China’s sugar production to remain around 10 MMT annually. This will be largely driven by policies to incentivize stable cane production areas in Guangxi and Yunnan which account for over 80 percent of China’s total sugar production. The gap between production and consumption is expected to be filled by imports. As Chinese consumption grows, and imports increase, China’s domestic sugar price will tend to synchronize with the world price.

Consumption

MY 2023/24 sugar consumption is forecast at 15.6 MMT, up 100,000 MT from the MY 2022/23 estimate on the assumption China’s economy will continue recovering and consumers spending will rise. Nevertheless, if high sugar prices should persist, the market demand could be affected.

MY 2022/23 sugar consumption is estimated at 15.5 MMT, up 200,000 MT from the official USDA estimate. This estimate is increased because Chinese government changed COVID-related policies, and consumer spending, which includes sugar consumption, has begun rebounding. However, current high sugar prices could reduce the demand.

Industrial sugar typically accounts for about 60 percent of consumption while the remaining 40 percent goes to household use. Industrial use includes beverages (i.e., soda, juice), ice cream, canned fruit, candy, bakery, pharmaceuticals, and other products.

China's per capita sugar consumption is estimated between 11-12 kilograms, which is far behind the world average of more than 20 kilograms. Per capita consumption is expected to increase in the future as China's economy continues to grow and consumers diversify their diets. A significant part of the anticipated increase in consumption will come from consumers living in second tier, third tier and lower tier, developing cities.

Trade

Imports

MY 2023/24 sugar imports are forecast at 5 MMT, up 600,000 MT from the MY 2022/23 estimate. Despite domestic production is forecast up to support recovering consumption, China would still increase imports to fill the gap between supply and demand.

MY 2022/23 sugar imports are estimated at 4.4 MMT, the same as the official estimate. From October 2022 to February 2023, China's sugar imports were 2.65 MMT, like that of the same period in MY 2021/22. However, current high world sugar prices should curb China's imports in the remaining of MY 2022/23. Some industry experts believe that the Chinese government may choose to release national reserved sugar stocks to meet the market demand. Experts are also concerned that sugar smuggling might reemerge since COVID related travel restrictions have been lifted.

China applies a tariff-rate quota (TRQ) on imported sugar. The within-quota tariff is 15 percent on 1.945 million metric tons. About 70 percent of the quota is allocated to state-owned enterprises (SOEs). The out-of-quota tariff is 50 percent. Since July 2020, all out-of-quota sugar imports are subject to an automatic import licensing system which the government also uses to monitor imports of other bulk commodities (i.e., palm oil, soybeans, meat). This system requires importers to apply and receive advance approval prior to import. The timeline for granting licenses can be inconsistent.

Brazil is the largest supplier, accounting for about 80 percent of Chinese sugar imports, followed by India and Thailand.

Exports

MY 2023/24 exports are forecast at 250,000 MT, up 30,000 MT from the MY 2022/23 estimate to reflect the upward trend in recent years. MY 2022/23 exports are estimated at 220,000 MT, revised up 20,000 MT from the previous estimate. Mongolia, North Korea and Hong Kong are the main buyers, mostly for Chinese refined sugar.

Imports of Sugar Syrup and Powdered Sugar

(NOTE: Imports of sugar syrup are not included in PSD figures but do add supply to the China market and are therefore explained here.)

MY 2023/24 sugar syrup and powdered sugar (HS: 1702.90) imports are forecast over 1.4 MMT (equivalent to about 1 MMT on a raw sugar basis).

MY 2022/23 sugar syrup and powdered sugar are estimated at 1.2 MMT, slightly up from the MY 2021/22 imports of 1.13 MMT. Thailand accounts for 85 percent of China's sugar syrup and powdered sugar imports, followed by Vietnam and Malaysia.

Thailand, Vietnam and Malaysia are parties to the [Regional Comprehensive Economic Partnership \(RCEP\)](#) and the China-ASEAN (Association of Southeast Asian Nations) trade agreements with China therefore their sugar syrup and powdered sugar exports to China are duty free.

Imported sugar syrup and powdered sugar are mainly used in sugar refineries and the food processing industry as ingredients. So far, there has been no sign that China will intervene to curb the imports.

Stocks

MY 2023/24 sugar stocks are forecast down to 1.86 MMT. Industry sources predict stock levels will continue trending downward as China may source from its stocks to fill the gap between production and consumption.

MY 2022/23 sugar stocks are estimated at 2.71 MMT, revised down from the USDA official estimate because sugar production is estimated to decline, and the government will need to draw from stocks to meet the recovering market demand, as the imports are expected to be curbed by high world prices.

Other Sweeteners

Starch sugar

According to industry news, in calendar year (CY) 2022, China’s starch-based sugar production reached 11.1 MMT, like that of CY 2021. This category includes, but is not limited to, crystalline glucose, fructose syrup, maltose syrup and maltodextrin. Producers of starch sugar are expected to expand production, as long as sugar prices remain high.

Saccharine

China’s government restricts the development of the saccharine industry to protect the domestic sugar market and to “address environmental, food safety and consumer health concerns”. Only three plants are licensed for saccharine production in China. These plants are monitored and inspected by the China Sugar Association (CSA) to ensure compliance with guidelines and limits on production, domestic sales and exports. The annual saccharine production quota is 19,000 metric tons, with 3,200 metric tons designated for domestic sale and 15,800 metric tons for export. CSA has not published the saccharine production of CY2022.

Table 3: Sugar, Centrifugal: Production, Supply and Distribution

Sugar, Centrifugal	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Market Year Begins						
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Beginning Stocks (1000 MT)	5374	5374	5385	5014	0	2712
Beet Sugar Production (1000 MT)	900	900	1000	1080	0	1100
Cane Sugar Production (1000 MT)	8700	8700	9000	7920	0	8900
Total Sugar Production (1000 MT)	9600	9600	10000	9000	0	10000
Raw Imports (1000 MT)	4585	4400	3800	3800	0	4400
Refined Imp.(Raw Val) (1000 MT)	795	600	600	600	0	600
Total Imports (1000 MT)	5380	5000	4400	4400	0	5000
Total Supply (1000 MT)	20354	19974	19785	18414	0	17712
Raw Exports (1000 MT)	3	3	5	5	0	5
Refined Exp.(Raw Val) (1000 MT)	166	157	195	197	0	245
Total Exports (1000 MT)	169	160	200	202	0	250
Human Dom. Consumption (1000 MT)	14800	14800	15300	15500	0	15600
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	14800	14800	15300	15500	0	15600
Ending Stocks (1000 MT)	5385	5014	4285	2712	0	1862
Total Distribution (1000 MT)	20354	19974	19785	18414	0	17712
(1000 MT)						

Table 4: Sugar Cane: Production, Supply and Distribution

Sugar Cane for Centrifugal	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1210	1210	1210	1210	0	1210
Area Harvested (1000 HA)	1210	1210	1210	1210	0	1210
Production (1000 MT)	78000	78000	78000	70000	0	78000

Total Supply (1000 MT)	78000	78000	78000	70000	0	78000
Utilization for Sugar (1000 MT)	78000	78000	78000	70000	0	78000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	78000	78000	78000	70000	0	78000
(1000 HA) ,(1000 MT)						

Table 5: Sugar Beets: Production, Supply and Distribution

Sugar Beets	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2024	
Market Year Begins						
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	160	160	180	180	0	180
Area Harvested (1000 HA)	160	160	180	180	0	180
Production (1000 MT)	8700	8700	9700	9700	0	9700
Total Supply (1000 MT)	8700	8700	9700	9700	0	9700
Utilization for Sugar (1000 MT)	8700	8700	9700	9700	0	9700
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	8700	8700	9700	9700	0	9700
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments