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Post: Guangzhou ATO

Report Category: Sugar

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Report Highlights:

MY 2022/23 China's sugar imports declined due to escalating world prices. Following suit, Chinese sugar prices spiked at the highest levels since 2012. As the estimates of production and consumption remain unchanged, China's sugar stocks are trending downwards. China has announced plans to auction national sugar reserves, which has not occurred since 2016. China's MY 2023/24 sugar production is forecast to rebound to 10 MMT, assuming normal weather in both cane and beet production areas.

Cane Sugar Production

Marketing year (MY) 2023/24 (October-September) sugar production in China is forecast at 8.9 million metric tons (MMT), same as the previous forecast. Precipitation in major production areas, including Guangxi and Yunnan, has been supportive to cane development. In July-August 2023, the planting areas for sugar cane experienced several typhoons bringing abundant rainfalls, which helped relieve the drought conditions witnessed in May-June 2023. Assuming the weather will continue to be favorable for cane growth, the MY 2023/24 cane sugar production should be able to return to normal. Cane acreage MY 2023/24 forecast remain unchanged and same to MY 2022/23 estimate.

MY 2022/23 cane sugar production is estimated at 7.88 MMT, slightly adjusted down from the previous estimate of 7.92 MMT to be in line with the official announcement by China's Ministry of Agriculture and Rural Affairs (MARA). It is lower than the MY2021/22 production at 8.7 MMT. This reduction is largely due to lower-than-normal rainfall.

According to the China's Sugar Association (CSA) and various news reports, in MY 2022/23, from November 15, 2022 to April 14, 2023, 73 Guangxi sugar mills processed 41.22 MMT of cane to make 5.27 MMT of sugar with a 12.79 percent sugar yield rate; and from November 11, 2022 to May 12, 2023, 50 Yunnan sugar mills processed 15.15 MMT of cane to make 2.01 MMT of sugar with a 13.28 percent sugar yield rate.

In MY 2022/23, from November 2022 to May 2023, China imported a historic high of 1.94 MMT of cane to make sugar, mainly in Yunnan. The main suppliers were Laos and Myanmar. In MY 2023/24, as Chinese millers are motivated to increase production due to projected high sugar prices, the cane imports are forecast at 2.2 MMT, which could be processed into nearly 290,000 MT of raw sugar (assuming a sugar recovery rate above 13 percent).

Beet Sugar Production

MY 2023/24 China's beet sugar production is forecast at 1.1 MMT, unchanged from the previous forecast. The harvest season officially started in September 2023, and Inner Mongolia and Xinjiang are experiencing typical weather to support beet crop growth. This is important, as the industry strives to recover from anomalies earlier this year. For example, Xinjiang had an abnormally cold weather in May 2023, causing partial beet crop losses. Local sugar mills swiftly worked with farmers to re-plant beet seeds in affected areas and successfully kept acreage from declining.

According to industry news, on September 16, 2023, a beet sugar mill started production in Hulun Buir, Inner Mongolia, which marked the beginning of China's MY 2023/24 sugar milling season. As the largest beet sugar producer in China, this mill processed 550,000 MT of beet to make 91,000 MT of sugar in MY 2022/23. Other beet mills will start their production in late September and early October.

Local insurance providers are reportedly collaborating with agricultural futures traders to provide beet farmers new insurance policies, which will address normal farm losses, as well as allow farmers to earn extra income when sugar prices rise. Local governments often provide subsidies to cover a portion of the purchase price for such insurance policies, as it encourages planting and helps stabilize annual beet acreage.

MY 2022/23 beet sugar production is estimated at 1.08 MMT, unchanged from the previous estimate and in line with the official announcement by the China's MARA.

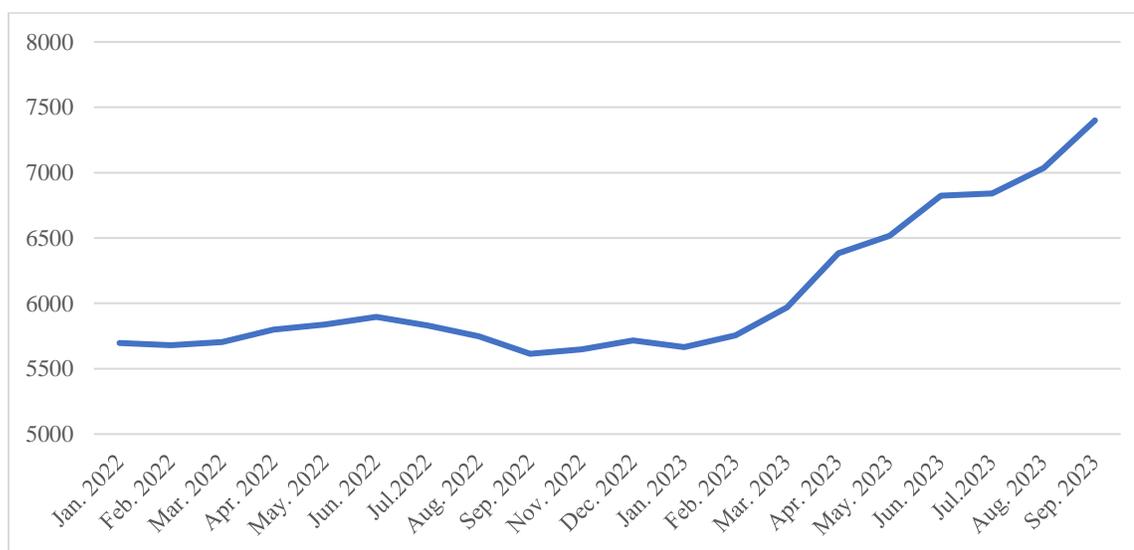
Centrifugal Sugar Production

MY 2023/24 China's total sugar production forecast remains unchanged at 10 MMT, up 1.04 MMT from the MY 2022/23 estimate. The projected increase assumes normal weather in both cane and beet production areas, where acreage is stabilized by high sugar prices. Most industry insiders forecast world sugar prices will remain high in MY 2023/24 and Chinese sugar prices are expected to follow suit.

MY 2022/23 total sugar production is estimated at 8.96 MMT, slightly revised down 40,000 metric tons (MT) from the previous estimate of 9 MMT to be in line with the official announcement by China's MARA.

Due to tight supplies, sugar prices spiked. As the world sugar prices reached 27 cents per pound, Chinese sugar prices reach RMB7,400 (\$1,014, US\$1=RMB7.3) per MT, the highest since 2012.

Chart 1: China's Sugar Prices from January 2022 to September 2023, (RMB, metric ton basis)



Source: Data by China Sugar Association and chart by ATO Guangzhou

Consumption

China's MY 2023/24 sugar consumption is forecast at 15.5 MMT, down 100,000 MT from the previous forecast. China's economic slowdown is negatively affecting all consumption. Shoppers are less willing to spend their disposable income. As world sugar prices stay high, market demand will be suppressed.

MY 2022/23 sugar consumption is estimated at 15.5 MMT, same as the previous estimate. Despite the sluggish economy, the Chinese government has introduced various stimulus plans, which helped boost discretionary spending (i.e., tourism, dining out), which has supported market demand for sugar.

Trade

Imports

MY 2023/24 China's sugar imports are forecast at 4.6 MMT, down 400,000 MT from the previous forecast. Given world sugar prices are expected to remain high, China's sugar imports should be curbed. Furthermore, recovering domestic production, sluggish consumption and increased imports of sugar syrup/premix powder are expected to have negative impacts on the demand for imported sugar.

MY 2022/23 sugar imports are estimated at 3.8 MMT, significantly down 600,000 MT from the previous estimate. As world sugar prices rise, imported sugar has become less competitive. For example, on September 19, when the world sugar price was at \$27.7 cent per pound, it cost Chinese refineries about RMB7,000 (\$959) and RMB9,000 (\$1,233) per MT to make refined sugar with in-quota and out-of-quota imported raw sugar respectively. As comparison, the market prices for refined sugar made with domestic raw sugar were between RMB7,530-7,950 (\$1,032-1,089) per MT. Therefore, in many cases, it is less profitable for sugar refineries to use imported raw sugar as the main ingredient.

Imports of Sugar Syrup and Premix Powder: As raw sugar imports decrease, Chinese sugar market demand increasingly relies on the supply of imported sugar syrup and premixed powder. From October 2022 - August 2023, China imported 1.41 MMT sugar syrup and premix powder (under H.S. code: 1702.90), up 37 percent year-on-year. Accounting for nearly 90 percent, Thailand is the largest supplier; followed by Vietnam, Myanmar, and Malaysia jointly representing 9 percent. By the end of MY 2022/23, imports are estimated to reach 1.6 MMT, which is equal to approximately 1.2 MMT of raw sugar.

Exports

MY 2023/24 China's sugar exports are forecast at 183,000 MT, revised down from the previous forecast of 250,000 MT. MY 2022/23 exports are estimated at 183,000 MT, down 19,000 MT from the previous estimate to reflect the most updated customs data.

Stocks

China's MY 2023/24 sugar stocks are forecast at 1.01 MMT, revised down from the previous forecast. Although sugar production is forecast to grow, total supply would remain tight due to curbed imports related to high world prices. Furthermore, China's market demand for sugar increasingly relies on the supply of imported sugar syrup and premixed powder. Consequently, China's sugar stocks are trending downward.

MY 2022/23 stocks are estimated at 2.09 MMT, down 621,000 MT from the previous estimate. The tight supply related to the reduction of sugar production and imports has resulted in a need to release stocks onto the market. According to China's Sugar Association (CSA), until the end of August 2023, the total sales of sugar reached 8.09 MMT, accounting for 90.1% of the China's MY 2022/23 production; in Guangxi, its industrial stocks were at 519,400 MT, reduced 827,600 MT year-on-year. China has announced plans to auction 126,000 MT of national sugar reserves on September 27, 2023. The previous sugar auction was held in 2016.

(Please see the tables of PSD - Production, Supply and Distribution on the next page.)

Table 1: Sugar, Centrifugal: Production, Supply and Distribution

Sugar, Centrifugal Market Year Begins China	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	5374	5374	5014	5014	2712	2091
Beet Sugar Production (1000 MT)	900	900	1080	1080	1100	1100
Cane Sugar Production (1000 MT)	8700	8700	7920	7880	8900	8900
Total Sugar Production (1000 MT)	9600	9600	9000	8960	10000	10000
Raw Imports (1000 MT)	4400	4400	3800	3200	4400	4000
Refined Imp.(Raw Val) (1000 MT)	600	600	600	600	600	600
Total Imports (1000 MT)	5000	5000	4400	3800	5000	4600
Total Supply (1000 MT)	19974	19974	18414	17774	17712	16691
Raw Exports (1000 MT)	3	3	5	3	5	3
Refined Exp.(Raw Val) (1000 MT)	157	157	197	180	245	180
Total Exports (1000 MT)	160	160	202	183	250	183
Human Dom. Consumption (1000 MT)	14800	14800	15500	15500	15600	15500
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	14800	14800	15500	15500	15600	15500
Ending Stocks (1000 MT)	5014	5014	2712	2091	1862	1008
Total Distribution (1000 MT)	19974	19974	18414	17774	17712	16691

(1000 MT)

Table 2: Sugar Cane: Production, Supply and Distribution

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

(1000 HA) ,(1000 MT)

Table 3: Sugar Beet: Production, Supply and Distribution

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

(1000 HA) ,(1000 MT)

Attachments:

No Attachments