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**Report Highlights:**

The sugar production forecast for MY21/22 (October – September) is revised down to 10.3 MMT on slower than expected growth in cane acreage and more sugar beet acreage losing out to corn. Low world sugar prices in MY20/21 boosted China's imports to nearly 5.9 MMT with many destined for stocks which will prevent Chinese domestic sugar prices from spiking during MY21/22 as production slows and consumption grows.

## **Cane Sugar Production**

The MY21/22 cane sugar production is forecast at 9.2 million metric tons (MMT), revised down from the previous USDA official forecast of 9.5 MMT but remains slightly up from the MY20/21 estimate. This slight downward revision reflects less than expected growth in cane acreage in Guangxi, the largest cane producing province accounting for approximately 60 percent of national cane production. Despite continuing government support to farmers there, high labor costs, increased pressure from competitive crops (including fruits and cassava), and low mechanization because of the hilly terrain continue to be limiting factors in significant expansion. Acreage in Yunnan and Guangdong, the next two largest production provinces, are expected to remain unchanged.

Over the longer term, cane acreage is forecast to remain relatively stable as a way to ensure a steady supply of sugar and to encourage farming as a means of poverty alleviation. In contrast, cane sugar production increases will be driven by the increase of unit cane production and sugar content through improved breeds and better planting practices.

The MY21/22 cane sugar harvest will start in Yunnan in late October and in Guangxi in the first half of November 2021. Cane purchase prices are expected to remain unchanged from previous years aligned with the local government reference price, estimated at RMB490-520 (US\$77-81) per metric ton (MT) in Guangxi and RMB450 (US\$70) in Yunnan.

Cane sugar production in MY20/21 is estimated at 9.1 MMT, revised up slightly from the USDA official estimate at 9 MMT to align with China's Ministry of Agriculture and Rural Affairs (MARA) estimates. MY20/21 area planted/ harvested remains nearly unchanged at 1.2 million hectares.

## **Beet Sugar Production**

The MY21/22 beet sugar production forecast remains unchanged at 1.1 MMT, down 400,000 metric tons from the USDA official MY20/21 estimate. Beet sugar is a small percentage of China's sugar production. This significant decrease is the result of reduced sugar beet planting area (forecast down about 31 percent in MY21/22 over MY20/21) as persistent high corn prices will encourage farmers to switch from growing beets to growing corn. (More information on China's corn situation is available in the [September 2021 China Grain and Feed Update](#).) The MY20/21 production of beet sugar remains forecast at 1.5 MMT with the USDA official estimate.

The MY21/22 beet sugar production starts in late September in Inner Mongolia. Purchase prices are specified in grower-miller contracts signed prior to planting and are forecast to remain at MY20/21 levels: RMB570-620 (US\$89-97) per MT in Inner Mongolia and RMB500-510 (US\$78-80) per MT in Xinjiang.

Margins for sugar beet millers are expected to tighten as production costs continue to rise since coal imports from Australia were interrupted in October 2020 and much electricity comes from coal powered plants; with limited coal supply, electricity costs have increased. The current coal price is more than double that at 2020 lows. (Note: The impact of coal price increases is expected to have less impact on cane production than beet because cane production areas have more of hydroelectric and other energy sources.)

### **Centrifugal Sugar Production**

The MY21/22 total sugar production is forecast at 10.3 MMT, revised down 300,000 metric tons from the USDA official forecast, as a result of the downward revision of cane sugar acreage growth. The MY20/21 sugar production estimate is revised up slightly to 10.6 MMT to align with China's MARA estimates.

Longer 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.

### **Consumption**

The MY21/22 sugar consumption forecast remains unchanged at 15.8 MMT, up 300,000 MT from the USDA official MY20/21 estimate. Though China's per capita consumption is still far behind the world average, it is expected to continue its modest rise as economic development fuels changing consumption patterns.

Urbanization and improved logistics are making eating out easier, and more demands on working professionals' time is reinforcing this trend. As one example, white collar workers are increasingly choosing to have breakfast on their way to the office, where breakfast restaurants tend to use more sugar in their dishes than typically used in home cooking.

Beyond meals, Chinese consumers are increasingly drawn to bubble tea and bakery snacks, which further drive sugar consumption. "Chinese new tea" shops – which sell milks teas, bubble teas, lemon teas, and other sweetened beverages and baked goods – once seen primarily in 1<sup>st</sup> tier cities, are beginning to make inroads into 2<sup>nd</sup> and 3<sup>rd</sup> tier cities and increasing in popularity.

With growing demand for sugar, and production expected to hold steady in the longer term, imports will play an increasingly important role. As a result, China's sugar price is expected to synchronize more closely with the world sugar price. With world sugar prices trending upward, China's domestic sugar price is expected to follow suit in MY21/22 to range between RMB5,500 to 6,000 (US\$859 to 938) per metric ton, according to industry experts

**Chart 1: Sugar prices from Sep. 2020-Sep. 2021 (by US dollar, metric ton basis)**



Source: Data by [www.msweet.com.cn](http://www.msweet.com.cn) and chart by ATO Guangzhou

## Trade

The MY21/22 sugar import is forecast at 5 MMT, unchanged from the Official USDA forecast. Despite the upward trend of the world sugar price, China will still need to import sugar to fill the gap between its domestic production and growing consumption.

The MY20/21 sugar import estimate is revised up substantially to nearly 5.9 MMT, from the USDA official at 4.9 MMT to reflect updated China Customs data. The import surge is mainly a result of the low world sugar prices in the last quarter of calendar year 2020. A chunk of the import surge was reportedly destined for industry-held stocks.

MY19/20 import estimates are revised down in line with the official import data and based on the assumption that stricter border policies are significantly limiting unofficial imports. Unofficial sugar imports are likely negligible because of stricter border control, in part related to pandemic measures.

China exports minimal volumes of sugar, mainly to North Korea. MY21/22 exports are forecast at 155,000 MT, unchanged from previous estimates. MY20/21 exports are revised down from USDA official to 130,000 MT based on official trade data. Notably, official Chinese trade statistics show MY20/21 raw sugar exports jumped to 13,000 MT, with 10,000 MT exported to North Korea in December 2020; Post believes this is an anomaly.

## Stocks

Beginning MY21/22 sugar stocks are forecast at nearly 4.9 MMT, revised up from the USDA official forecast of 4.4 MMT. With production stable, the sharp increase is mainly a result of high imports when the world sugar prices were low in early MY20/21. The high beginning stocks should keep Chinese

domestic sugar prices from spiking in MY21/22. According to industry experts, stocks held by Chinese sugar mills and traders should range between 800-900,000 metric tons.

Ending MY19/20 stocks are revised down as imports dropped more than originally expected and exports rose.

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
	Oct 2019		Oct 2020		Oct 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
China						
Beginning Stocks (1000 MT)	5408	5408	4639	4027	4384	4847
Beet Sugar Production (1000 MT)	1400	1400	1500	1500	1100	1100
Cane Sugar Production (1000 MT)	9000	9000	9000	9100	9500	9200
Total Sugar Production (1000 MT)	10400	10400	10500	10600	10600	10300
Raw Imports (1000 MT)	3800	3200	4300	5200	4400	4400
Refined Imp.(Raw Val) (1000 MT)	608	608	600	650	600	600
Total Imports (1000 MT)	4408	3808	4900	5850	5000	5000
Total Supply (1000 MT)	20216	19616	20039	20477	19984	20147
Raw Exports (1000 MT)	3	3	5	13	5	5
Refined Exp.(Raw Val) (1000 MT)	174	186	150	117	150	150
Total Exports (1000 MT)	177	189	155	130	155	155
Human Dom. Consumption (1000 MT)	15400	15400	15500	15500	15800	15800
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	15400	15400	15500	15500	15800	15800
Ending Stocks (1000 MT)	4639	4027	4384	4847	4029	4192
Total Distribution (1000 MT)	20216	19616	20039	20477	19984	20147
(1000 MT)						

<b>Sugar Cane for Centrifugal</b>	<b>2019/2020</b>		<b>2020/2021</b>		<b>2021/2022</b>	
<b>Market Year Begins</b>	<b>Oct 2019</b>		<b>Oct 2021</b>		<b>Oct 2022</b>	
<b>China</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b> (1000 HA)	1165	1165	1191	1191	1260	1210
<b>Area Harvested</b> (1000 HA)	1165	1165	1191	1191	1260	1210
<b>Production</b> (1000 MT)	73046	73046	76820	76820	81430	78000
<b>Total Supply</b> (1000 MT)	73046	73046	76820	76820	81430	78000
<b>Utilization for Sugar</b> (1000 MT)	73046	73046	76820	76820	81430	78000
<b>Utilizatn for Alcohol</b> (1000 MT)	0	0	0	0	0	0
<b>Total Utilization</b> (1000 MT)	73046	73046	76820	76820	81430	78000
(1000 HA) ,(1000 MT)						

<b>Sugar Beets</b>	<b>2019/2020</b>		<b>2020/2021</b>		<b>2021/2022</b>	
<b>Market Year Begins</b>	<b>Oct 2019</b>		<b>Oct 2021</b>		<b>Oct 2022</b>	
<b>China</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Planted</b> (1000 HA)	215	215	260	260	180	180
<b>Area Harvested</b> (1000 HA)	215	215	260	260	180	180
<b>Production</b> (1000 MT)	12060	12060	13600	13600	9520	9520
<b>Total Supply</b> (1000 MT)	12060	12060	13600	13600	9520	9520
<b>Utilization for Sugar</b> (1000 MT)	12060	12060	13600	13600	9520	9520
<b>Utilizatn for Alcohol</b> (1000 MT)	0	0	0	0	0	0
<b>Total Distribution</b> (1000 MT)	12060	12060	13600	13600	9520	9520
(1000 HA) ,(1000 MT)						

**Attachments:**

No Attachments