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China - Peoples Republic of

Sugar Semi-annual

Semi-annual

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Report Highlights:

MY 2013/14 total sugar production is forecast at 14.8 million tons (raw value), up 5 percent from the previous estimate, due to increases in sugar cane planting area and yield. MY2012/13 sugar consumption is estimated at 15.1 million tons (raw value), up 6 percent from the previous year. Government support purchases, combined with continued imports, have raised ending stocks 53 percent to a record 8.4 million tons.

Executive Summary:

MY 2013/14 total sugar production is forecast at 14.8 million tons (raw value), up 5 percent from the previous estimate due to higher yields and acreage for sugar cane. MY 2013/14 sugar beet area is revised down 30 percent as farmers substitute to higher profit corn. Estimated ending stocks for MY 2013/14 are raised 53 percent to a record 8.4 million tons, based on higher production and government reserve purchases to support domestic mills. Sugar imports for MY 2013/14 are revised up 200,000 tons based on competitive import prices.

Commodities:

Author Defined:

Production

Centrifugal Sugar Production

Total sugar production in MY 2013/14 is forecast at 14.8 million tons (raw value), up 5 percent from the previous estimate, due to higher yields and sugar cane acreage. Total sugar production is up 6 percent compared to MY 2012/13, as higher sugar cane production more than compensated for a 15 percent drop in beet sugar production due to reduced area. MY 2013/14 cane and beet sugar production is projected at 13.8 and 1 million tons (raw value), respectively.

Sugar Cane

Estimated total MY 2013/14 cane production is revised down slightly to 128 million tons based on lower than expected National Bureau of Statistics production numbers. MY 2012/13 sugar cane production is also revised down to 123 million tons based on official statistics. For MY 2013/14, total sugar cane area is forecast up 3 percent from the previous estimate to1.81 million hectares (Ha).

In Guangxi, the largest cane producing province, during MY12/13, farmer's experienced lower than average winter rainfall, a delayed spring planting and severe storms in late summer, yet sources report the crop has low insect damage and forecast a 5 percent yield increase over last year. Nevertheless, sugar cane acreage is estimated down slightly from the previous year as Guangxi farmers increasingly plant higher profit cassava (for starch) or less labor intensive fast growing trees (for paper production). Rising land and labor costs and a lower government support price for sugar are influencing planting area away from sugar. In MY2012/13, the Guangxi government lowered the price paid for sugar cane by RMB25 per ton due to a decline in sugar prices. In MY2013/14, the provincial government is expected to cut the cane support price again because of reduced profit margins for sugar mills.

In Yunnan, the second largest production province, MY 2013/14 cane acreage is estimated to rise10 percent over the previous year with yield gaining 3 percent to 70.7 Ha over the same period last year. Pre-season investments in new mills in Yunnan supported expanded cane production. In addition, Yunnan's inland location means it faces less competition for human resources than coastal locations, thus land and labor costs are lower than in Guangxi. Whether the acreage expansion will continue in the future may depend on whether sugar prices continue to fall.

Falling sugar prices are squeezing profit margins for sugar producers. Average wholesale sugar prices fell in MY 2012/13 to RMB 5,532 per ton, down from RMB 6,372 the previous year, while production costs average around RMB 5,300 to 5,400 per ton. Sugar mills have reportedly cut costs with contracted farmers by reducing the amount of production assistance provided through discounted fertilizers and pest control.

High production costs constitute a long-term challenge for the sugar sector in China, particularly during periods of low international sugar prices. Since China supports domestic sugar producers through government purchase prices that are above international prices, favorably priced imports continue to flow into China.

Purchase Price of Sugar Cane in Major Producing Provinces				
RMB per MT (USD $1.00 = RMB 6.12)				
	Guangxi	**Yunnan**	**Guangdong**	**Hainan**
MY 2010/11	492	375	540-550	525
MY 2011/12	500	420	510	550
MY 2012/13	475	420	500	500
MY 2013/14	450	NA	NA	NA
Industry Sources				

Sugar Beets

MY2013/14 sugar beet area is forecast at 210,000 Ha, down 30 percent from the previous estimate. Most of the decline occurred in Xinjiang province, the largest sugar beet producing region, as farmer's substitute beet acreage for more profitable corn. Xinjiang, Heilongjiang, and Inner Mongolia comprise approximately 90 percent of China's total sugar beet output

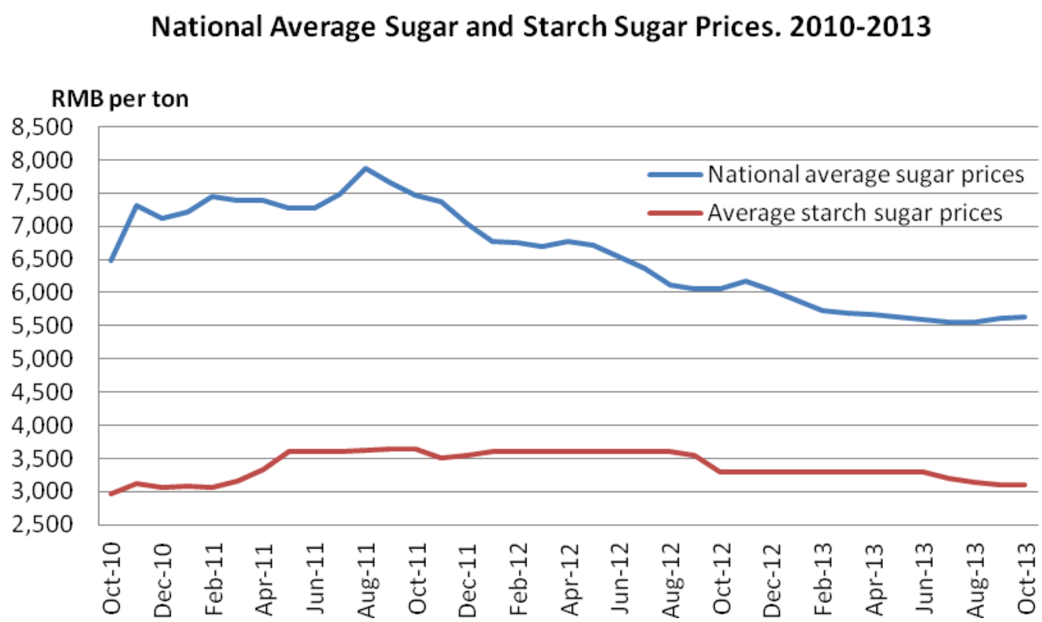
MY 2013/14 beet production is estimated at 10.5 million tons, down 2 million tons on lower area and average yields. MY 2012/13 sugar beet production was revised down to 11.7 million tons based on China's National Bureau of Statistics data.

Purchase Price of Sugar Beets in Major Producing Provinces			
RMB per MT (USD $1.00 = RMB 6.12)			
	Xinjiang	Heilongjiang	Inner Mongolia
MY 10/11	353	400	390
MY 11/12	450	532	480-500
MY12/13	450	560	500
MY13/14	440	NA	500
Industry Sources			

Consumption

Sugar consumption is estimated to grow 6 percent in MY 2013/14 and MY 2012/13 based on available supply and stocks reports, as well as observed trends.

MY2012/13 sugar consumption is estimated at 15.1 million tons (raw value), up 6 percent from the previous year. Prices for sugar have declined more rapidly than those for starch sugar, making sugar more price competitive and increasing demand. Industry sources estimate that in MY 2013/14 sugar will remain price competitive over starch sugar in the food and beverage sector due to a rise in sugar production and high stock levels.



Source: Guangxi Sugar Market (www.gsmn.com.cn)

Trade

MY2013/14 sugar imports are forecast at 2.8 million tons (raw value), 200,000 tons higher than the previous estimate as imported raw sugar is forecast to be price competitive over domestic sugar.

MY2012/13 sugar imports are estimated at 3.8 million tons, greatly exceeding the 1.95 million ton annual Tariff Rate quota (TRQ). Despite an out of quota tariff rate of 50 percent, imported raw sugar (raw and refined) is price competitive over domestic sugar due to low international sugar prices. In response, domestic sugar mills have lobbied the government to raise the out of quota tariff rate to protect the domestic industry. However, the government is unlikely to change the current tariff structure given the domestic supply gap.

To capitalize on the price gap between international and domestic raw sugar prices, both state and private companies are investing in sugar refineries near coastal ports. According to the China Sugar Association (CSA)**,** overall annual refining capacity in China has expanded from 3 million tons in 2010 to 7 million tons in 2013 and continued expansion is new plants is expected. CSA, however, is urging the sector to be cautious about market risks and consider the low profit margins experienced by domestic sugar producers in recent years.

Stocks

MY2013/14 ending stocks are forecast at a record 8.4 million tons (raw value) due to a rise in domestic production and imports. For MY2012/13, the National Development and Reform Commission (NDRC) announced that the state reserve would purchase 3 million tons of domestic sugar at RMB 6,100 per ton as income support to sugar farmers. The actual purchases, however, totaled 1.8 million tons. NDRC requires that sugar sold to state reserve must have a shelf life of 18 months.

MY2012/13 ending stocks are estimated at 6.8 million tons with state reserves estimated at 5.5 million tons. This estimate is based on previous government purchases for reserves and state imports. The government is expected to hold the stocks in the short term.

Other Sweeteners

Saccharine

Government policy restricts the development of the saccharine industry in China to protect the domestic sugar market and address environmental, food safety and consumers health concerns. The government controls the sector by measures such as restricting production and domestic sale, conducting an annual review on production plans, and standardizing its usage as an additive in food. Only four plants are licensed for saccharine production in China.

CSA manages and inspects plants producing saccharine in China. Industry sources believe CSA's production plan for CY2013 is unchanged from the previous year at 19,000 tons (3,200 tons for domestic sale and 15,800 tons for exports). Every year actual domestic sales exceed the government set plan. In CY2012, for example, domestic sales reached 3,787 tons.

Starched-based Sweeteners

A decline in sugar prices has led to reduced demand for starch sugar in CY 2013. According to industry contacts, CY2013 total starch sugar production is forecast at 12.70 million tons, down 2 percent from the previous year. In CY2012, starch sugar production is estimated at 13 million tons, 10 percent higher than last year. When price competitive, starch sugar can be used in the confectionary, dairy, beverage, food processing, and pharmaceutical sectors as a replacement for sugar.

Tables

Production, Supply, and Demand (PSD) Tables

Table 1. Centrifugal Sugar

Sugar, Centrifugal China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	1,621	1,621	4,140	4,140	5,473	6,811
Beet Sugar Production	1,095	1,095	1,177	1,179	1,200	1,000
Cane Sugar Production	11,246	11,246	12,800	12,822	12,850	13,800
Total Sugar Production	12,341	12,341	13,977	14,001	14,050	14,800
Raw Imports	4,040	4,040	2,500	3,500	2,300	2,500
Refined Imp.(Raw Val)	390	390	300	320	300	300
Total Imports	4,430	4,430	2,800	3,820	2,600	2,800
Total Supply	18,392	18,392	20,917	21,961	22,123	24,411

Raw Exports	6	6	4	5	4	4
Refined Exp.(Raw Val)	46	46	40	45	40	40
Total Exports	52	52	44	50	44	44
Human Dom. Consumption	14,200	14,200	15,400	15,100	16,604	16,000
Other Disappearance	0	0	0	0	0	0
Total Use	14,200	14,200	15,400	15,100	16,604	16,000
Ending Stocks	4,140	4,140	5,473	6,811	5,475	8,367
Total Distribution	18,392	18,392	20,917	21,961	22,123	24,411

Table 2. Sugar Cane

Sugar Cane for Centrifugal China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,721	1,721	1,790	1,795	1,750	1,810
Area Harvested	1,721	1,721	1,790	1,795	1,750	1,810
Production	114,435	11,4345	128,000	123,114	130,000	128,000
Total Supply	114,435	114,435	128,000	123,114	130,000	128,000
Utilization for Sugar	114,435	114,435	128,000	123,114	130,000	128,000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	114,435	114,435	128,000	123,114	130,000	128,000

Table 3. Sugar Beets

Sugar Beets China	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	227	227	300	236	300	210
Area Harvested	262	227	300	236	300	210
Production	10,731	10,731	12,500	11,740	12,500	10,500
Total Supply	10,731	10,731	12,500	11,740	12,500	10,500
Utilization for Sugar	10,731	10,731	12,500	11,740	12,500	10,500
Utilizatn for Alcohol	0		0		0	
Total Distribution	10,731	10,731	12,500	11,740	12,500	10,500

Trade Tables

Table 4. China's Sugar Imports by Origin - MY 2011/2012 (ton)

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	1,249,936	499,254	945,275	1,567,088	4,261,553
Brazil	1,150,466	97,697	120	1,239,976	2,488,259
Thailand	17,343	129,200	596,260	199,813	942,616
Korea South	62,268	35,820	50,362	61,485	209,935
Cuba	0	155,000	215,200	55,800	426,000
Malaysia	5,716	295	264	4,356	10,631
India	590	546	2,600	3,952	7,688
Australia	7,033	1,272	28,116	1,549	37,970
Mauritius	324	0	76	93	493
Germany	24	5	3	23	55
United States	9	6	15	19	49
Taiwan	7	1	4	5	17

Japan	17	16	70	4	107
France	2	5	4	4	15
Iran	0	0	0	4	4
Others	6,137	79,391	52,181	5	137,714
Source: China Customs					

Table 5. China's Sugar Imports by Origin - MY 2012/2013 (ton)

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	735,758	528,944	739,043		2,003,745
Brazil	651,292	331,183	152,506		1,134,981
Thailand	11,396	4,965	45,558		61,919
Korea South	67,519	53,752	46,528		167,799
Cuba	0	138,020	167,502		305,522
Malaysia	2,893	165	820		3,878
Guatemala	848	0	317,718		318,566
Australia	1,371	127	1,006		2,504
Mauritius	309	22	137		468
Germany	26	91	28		145
United States	6	11	14		31
Taiwan	8	11	27		46
Japan	20	2	15		37
France	4	10	6		20
Others	66	585	7,178		7,829
Source: China Customs					

Table 6. China's Sugar Exports by Destination - MY 2011/2012 (ton)

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	11,325	11,700	15,537	9,695	48,257
Hong Kong	6,954	6,869	9,040	4,913	27,776
United States	1,286	667	711	358	3,022
Malaysia	627	665	647	769	2,708
Yemen	21	150	289	213	673
Canada	352	267	213	285	1,117
Singapore	234	153	341	226	954
Australia	77	117	132	121	447
Japan	120	1,493	3,197	318	5,128
United Arab Emirates	40	0	155	40	235
Macau	123	56	47	78	304
Panama	0	0	0	0	0
Jordan	40	0	20	0	60
Lebanon	42	64	0	22	128
Others	1,409	1,199	745	2,352	5,705
Source: China Customs					

Table 7. China's Sugar Exports by Destination - MY 2012/2013 (ton)

Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
World	10,211	12,461	13,140		35,812
Hong Kong	6,540	7,121	5,580		19,241

Japan	120	1,087	2,854		4,061
Mongolia	0	1,560	1,080		2,640
United States	992	738	935		2,665
Malaysia	875	540	918		2,333
Canada	303	318	302		923
Singapore	202	189	250		641
Yemen	368	199	243		810
United Arab Emirates	101	42	235		378
Australia	124	100	205		429
Macau	101	124	106		331
Egypt	0	65	65		130
Saudi Arabia	0	20	60		80
Others	485	358	307		1,150
Source: China Customs					