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Prepared By:

Approved By: Michael Francom

Report Highlights:

China's sugar production levels are forecast at 10.89 million metric tons (MMT) in MY19/20 (Oct-Sep). Imports for this same period are trimmed back to 4.0 MMT due to an anticipated drawdown in stocks.

Cane Sugar
The MY19/20 (Oct-Sep) cane sugar production forecast is revised slightly upward from the USDA official figure to 9.49 million metric tons (MMT). The estimates for area planted and harvested for this period are revised accordingly.

In April 2019, the Guangxi Provincial government announced its intention to discontinue its mandated cane purchase price starting in MY19/20. This anticipated change is aimed at letting the market determine prices. In other words, Guangxi-based sugar mills and farmers will now have the option to enter into contracts to lock in prices, volumes, and relevant quality factors (e.g. sugar content). Further, market-driven prices should allow the Guangxi sugar milling industry to return to profitability.

The MY18/19 cane sugar production estimate is likewise revised slightly upward to 9.44 MMT based on the latest Chinese government and industry production estimates. About 60 percent of MY18/19 production is expected to come from Guangxi Province – China's largest sugar producer. The next largest producers are Yunan and Hainan Provinces, collectively accounting for about 30 percent of production.

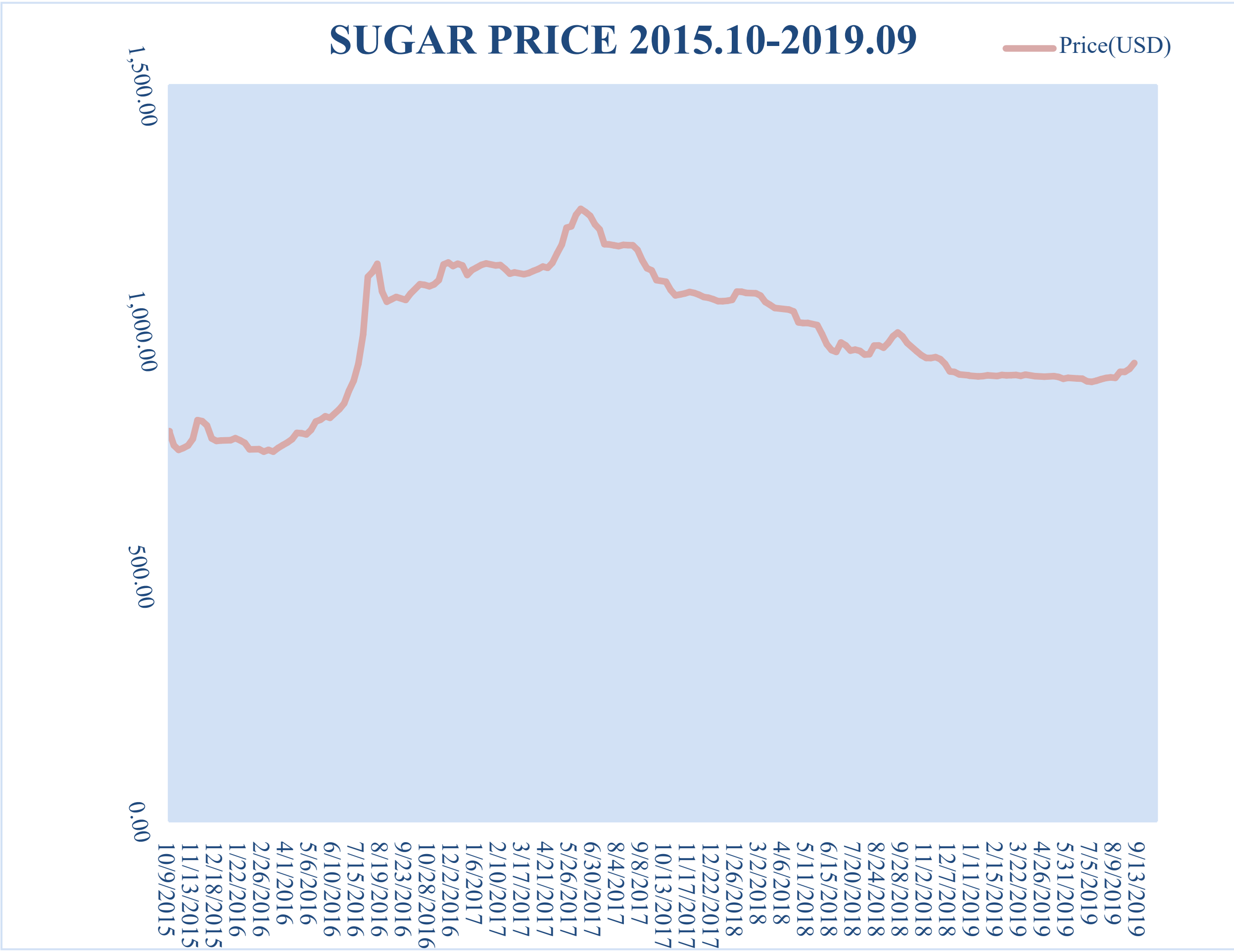
For MY18/19, the Guangxi Provincial government's mandated cane purchase price is RMB500 ($70.4, $1= RMB7.1) per metric ton. In order to break even, sugar mills need to sell their sugar at RMB5,600-5,800 ($788.3 – $816.9) to recoup production costs. However, prices are currently below the breakeven point and, as a result local industry sources are predicting that mills will suffer loses this year between RMB4-5 billion ($563-704 million). Nonetheless, the government will likely absorb most of these losses since many of the larger mills are State-Owned Enterprises (SOEs).

Beet Sugar
The MY19/20 beet sugar production estimate is forecast at record 1.4MMT, though slightly down from the USDA official figure. Area planted and harvested estimates remain the same.

The MY18/19 beet sugar production estimate is slightly adjusted to 1.32 MMT to reflect the latest Chinese government and industry production estimates. During this period, Inner Mongolia replaced Xinjiang Province as China's largest beet sugar producer. According to the China Sugar Association, Inner Mongolia's sugar beet production is estimated at 650,000 MT, while Xinjiang's production is forecast at 557,300 MT. These two regions account for a little more than 90 percent of the country's sugar beet production.

Centrifugal Sugar
MY19/20 and MY18/19 sugar production is revised slightly upward from the USDA official figures to 10.89 MMT and 10.76 MMT, respectively. The recent growth in sugar production has mainly been attributed to sugar beets which now account for about 15 percent of the country's total sugar production.

While sugar prices have remained relatively flat during the first half of CY19, industry sources predict prices will increase later in the year. Some of this anticipated price increase is attributed to several factors: (1) a reduction in the volumes of unofficial imports; (2) steady sugar demand; and (3) a broader trend of increasing food prices in China.



Source: Data by Mutian Technology (www.msweet.com.cn) and chart by ATO Guangzhou

Note: Prices are reported on a metric ton basis.

Consumption

The MY 2019/20 sugar consumption is forecast at 15.8 MMT, unchanged from the USDA official estimate and the previous years' consumption figure.

Some industry sources predict that growth in sugar consumption will remain relatively flat for the foreseeable future because of increased competition from starch-based sugar. Low corn prices in recent years have contributed to the rising production (and consumption) of starch-based sugars. In fact, according to the Starch Sugar Industry Association, China produced about 12.5 MMT starch-based sugar in CY18, up 23 percent from the previous year.

Urbanization and rising consumer incomes are contributing to increased demand for a variety of foods and beverages, such as juices, sodas, and processed foods. Most sugar is used in carbonated beverages and juice production, while food processing tends to use the lion share of starch-based sugars, such as high fructose corn syrup.

Trade

The MY19/20 sugar import estimate is forecast at 4.0 MMT, down 300,000 metric tons from the official USDA estimate.[1] This expected reduction in imports is based on an anticipated draw down of sugar stocks and stricter border controls. Based on the latest trade data, the MY18/19 sugar import estimate is revised downward to 4.1 MMT.

China applies a tariff-rate quota (TRQ) on imported sugar. The within-quota tariff is 15 percent for 1.945 MMT of annual sugar imports. About 70 percent of the TRQ is allocated to State-Owned Enterprises (SOEs).

In May 2017, the Ministry of Commerce imposed a three-year safeguard measure to protect the local sugar industry against rising imports. The safeguard raised the applied out-of-quota tariff from 50 percent to 95 percent for the first year (May 2017/18), 90 percent for the second year (May 2018/19), and 85 percent for the third year (May 2019/20).[2]

Some industry sources speculate that the out-of-quota tariff could return to 50 percent when the safeguard duties expire next May. This speculation stems from international media reports from last May which stated that China and Brazil had reached an agreement during WTO consultations on China's sugar safeguard measures. However, the Chinese government has yet to make an official announcement stating its intentions to withdraw the safeguard.

MY19/20 sugar exports are forecast to remain unchanged from the USDA estimate of 170,000 metric tons. Based on the most recent trade data (Oct-Aug), the MY18/19 export figure is adjusted slightly down to 200,000 metric tons. North Korea and Mongolia are the top two export destinations, accounting for about 70 percent of total exports.

Stocks

The MY19/20 ending stock estimate is adjusted down from the USDA official figure to 4.3 MMT. The MY18/19 stock number is nearly unchanged at 5.4 MMT. Industry sources report that the government hast started releasing an undisclosed amount of its national sugar reserve to fill the gap between local supply and demand, and to keep the local price of sugar in check. The year-over-year and longer-term trend is shrinking stocks.

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[1] Import figure includes industry-estimated informal sugar trade.

[2] Year 1: May 22, 2017 – May 21, 2018; Year 2: May 22, 2018 – May 21, 2019; Year 3: May 22, 2019 – May 21, 2020.

Production, Supply, and Demand (PSD)

Table 1. Centrifugal Sugar

Sugar, Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	7811	7811	6591	6567	5471	5427
Beet Sugar Production	1150	1150	1350	1320	1450	1400
Cane Sugar Production	9150	9150	9250	9440	9250	9490
Total Sugar Production	10300	10300	10600	10760	10700	10890
Raw Imports	3800	3800	3800	3600	3800	3500
Refined Imp.(Raw Val)	550	550	500	500	500	500
Total Imports	4350	4350	4300	4100	4300	4000
Total Supply	22461	22461	21491	21427	20471	20317
Raw Exports	20	31	20	5	20	20
Refined Exp.(Raw Val)	150	163	200	195	150	150
Total Exports	170	194	220	200	170	170
Human Dom. Consumption	15700	15700	15800	15800	15800	15800
Other Disappearance	0	0	0	0	0	0
Total Use	15700	15700	15800	15800	15800	15800
Ending Stocks	6591	6567	5471	5427	4501	4347
Total Distribution	22461	22461	21491	21427	20471	20317
(1000 MT)						

Table 2. Sugar Cane

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1500	1500	1515	1560	1515	1570
Area Harvested	1425	1425	1440	1485	1440	1495
Production	83200	83200	84100	85800	84100	86000
Total Supply	83200	83200	84100	85800	84100	86000
Utilization for Sugar	83200	83200	84100	85800	84100	86000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	83200	83200	84100	85800	84100	86000
(1000 HA) ,(1000 MT)						

Table 3. Sugar Beets

Sugar Beets	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	190	190	225	225	235	235
Area Harvested	185	185	220	220	230	230
Production	9500	9500	11000	11000	12000	12000
Total Supply	9500	9500	11000	11000	12000	12000
Utilization for Sugar	9500	9500	11000	11000	12000	12000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Distribution	9500	9500	11000	11000	12000	12000
(1000 HA) ,(1000 MT)						

Table 4. China's Sugar (HS: 1701) Imports by Origin – Partial MY18/19 (Oct-Aug), Metric Tons

Partner	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Total
_World	331,733	340,417	166,710	133,204	14,798	56,179	342,226	383,185	139,843	434,946	469,914	2,813,155
Brazil	247,851	289,193	97,015	55,556	0	0	125,031	194,028	41,472	175,325	284,280	1,509,751
Cuba	0	0	0	26,989	0	32,000	184,864	90,000	62,000	31,000	0	426,853
Thailand	19,024	21,514	34,391	36,895	3,600	11,643	14,962	68,200	13,405	92,501	72,936	389,071
South Korea	19,549	18,132	25,497	10,783	9,037	6,179	10,919	11,251	9,989	13,721	18,793	153,850
El Salvador	0	0	0	0	0	0	0	0	0	3,750	46,500	50,250
Australia	73	180	361	21	21	124	192	161	192	42,141	324	43,790
Guatemala	0	742	0	0	0	0	0	2,560	520	39,080	0	42,902
Nicaragua	0	0	0	0	0	0	0	0	0	0	42,000	42,000
India	3,652	3,260	5,180	1,820	1,560	5,408	3,820	7,109	3,020	0	3,160	37,989
South Africa	0	0	0	0	0	0	0	0	0	35,189	0	35,189
Fiji	33,730	0	0	0	0	0	0	0	0	0	0	33,730
Cambodia	0	0	0	0	0	40	2,140	9,000	8,400	0	0	19,580
_Others	7,853	7,394	4,266	1,139	578	785	297	875	844	2,238	1,920	28,189

Source: Trade Data Monitor; China Customs data only available through August 2019.

Note: Trade data not reported as raw sugar equivalent.

Table 5. China's Sugar (HS: 1701) Exports by Destination – Partial MY18/19 (Oct-Aug), Metric Tons

Partner	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Total
_World	24,638	22,048	19,569	15,499	9,694	15,482	13,251	15,300	12,218	11,208	12,734	171,641
North Korea	15,030	13,955	11,501	6,810	5,060	7,185	5,910	9,985	4,449	6,773	7,190	93,848
Mongolia	2,217	4,307	3,264	3,603	700	2,973	2,851	1,339	4,345	758	1,771	28,128
Hong Kong	1,638	2,121	3,038	2,502	1,450	1,772	1,493	1,820	1,679	1,821	2,211	21,545
Philippines	4,095	0	260	792	1,760	1,328	1,274	0	0	160	204	9,873
United States	188	481	436	600	193	558	501	309	731	579	206	4,782
Japan	749	40	17	152	178	693	309	830	199	129	173	3,469
Malaysia	127	265	254	233	138	167	233	222	288	221	309	2,457
Canada	141	112	124	92	81	52	103	159	72	181	88	1,205
Singapore	98	82	73	166	17	78	60	98	93	121	122	1,008
_Others	354	685	603	549	116	674	517	533	360	463	458	5,312

Source: Trade Data Monitor; China Customs data only available through August 2019.

Note: Trade data not reported as raw sugar equivalent.

Attachments:

No Attachments