



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 4/10/2004

**GAIN Report Number:** CH4009

## China, Peoples Republic of

### Sugar

### Annual

### 2004

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**Report Highlights:**

The MY04/05 sugar output is forecast at 10.57 MMT (raw value). The MY03/04 sugar import estimate has been revised upward to 1.2 MMT from the previous estimate of 585,000 MT because of reduced sugar output and higher than expected consumption. A sharp decline in beet sugar output was the main reason for the 6 percent decline in overall sugar output in MY03/04.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Beijing [CH1]  
[CH]

## Table of Contents

<b>Executive Summary.....</b>	<b>3</b>
<b>Sugar Cane.....</b>	<b>3</b>
<b>Sugar Beets.....</b>	<b>3</b>
<b>Sugar .....</b>	<b>4</b>
Production .....	4
Consumption.....	5
Trade .....	5
Stocks.....	5
Marketing .....	6
Policy.....	6
<b>Other Sweeteners.....</b>	<b>6</b>
Saccharine.....	6
Starched-based Sweeteners .....	6
<b>Tables .....</b>	<b>7</b>
Production, Supply, and Demand (PSD) Tables.....	7
Table 1. Centrifugal Sugar .....	7
Table 2. Sugar Cane .....	8
Table 3. Sugar Beets .....	8
Trade Tables.....	9
Table 4. China's Sugar Imports by Origin - MY 2002/2003 .....	9
Table 5. China's Sugar Imports by Origin - MY 2003/2004 .....	10
Table 6. China's Sugar Exports by Destination - MY 2002/2003 .....	11
Table 7. China's Sugar Exports by Destination - MY 2003/2004 .....	12

## Executive Summary

Overall sugar output for MY04/05 is forecast at 10.6 MMT (raw value), which is the same as the MY03/04 estimate. Sugar cane continues to be the dominant source of sugar in China. Sugar beet production fell last year. Sugar cane planted area is forecast to remain unchanged in MY04/05. Sugar imports for MY03/04 have been revised upward to 1.2 MMT from the previous estimate of 585,000 MT. The government's decision whether to hold or auction off stocks will be the major determinant in the price during the current year. Policy makers face conflicting goals of increasing rural incomes and reducing its role in the managing the sugar sector. Which of those goals will be given greater weight is uncertain.

Note: The exchange rate is fixed at RMB8.26 per US\$1.

## Sugar Cane

Sugar cane area for MY04/05 is forecast at 1.41 million HA, which is the same as in MY03/04. Sugar cane area accounts for about 80 percent of the total sugar crop area in MY03/04, up from 76 percent the previous year. Guangxi Province remains the dominant sugar cane producing province. Its output accounts for more than half of China's sugar cane. In MY03/04, the dry weather in Guangxi reduced yields by five percent lower than the annual average of 63 MT/HA. The sugar recovery rate for cane, however, increased to 12.5 percent from 11.5 percent over the past several years. In MY03/04, Guangxi's sugar cane planted area was 667,000 HA, according to provincial agricultural bureau. Industry sources, however, estimate that the actual sugar cane area is higher than that official estimate. Sugar cane remains a stable source of income for Guangxi's farmers. Despite the price rise for other agricultural commodities, the MY04/05 cane area will increase only slightly. Given that most cane is planted on dry, hilly land, cane farmers have fewer options to plant other competing crops, such as rice and cassava, than their counterparts in areas with flat or irrigated land.

The table below shows the guidance price on sugar cane set by provincial governments in southern sugar cane production region.

Purchase Price of Sugar Cane in Major Production Provinces				
RMB/MT (USD 1.00 = RMB 8.26)				
	Guangxi	Yunnan	Guangdong	Hainan
MY00/01	206	151	200	165
MY01/02	186	139	175	170
MY02/03	160	130	140	150
MY03/04	170	140	150	NA

## Sugar Beets

Sugar beet area for MY04/05 is forecast at 290,000 HA, which is 14 percent less than the revised MY03/04 estimate of 340,000 HA. Sugar beet output has been declining over the past several years in the major producing provinces of Xinjiang, Heilongjiang and Inner Mongolia because other cash crops, such as soybeans and tomatoes, are more profitable.

Besides the reduced planted area, a spring drought and excessive rains at harvest time reduced MY03/04 yields to 23 MT/HA. The sugar recovery rate was 12.5 percent.

Unlike provincial governments in sugar cane producing regions, governments in the sugar beet producing provinces of Heilongjiang, Xinjiang and Inner Mongolia did not set a purchase price on sugar beets in MY03/04. The market price for the crop averaged RMB210/MT in MY03/04. In response to the higher sugar price, millers in Heilongjiang have proposed to set the reference price at RMB240/MT for the MY04/05 crop.

## Sugar

### Production

Overall sugar output for MY04/05 is forecast to reach 10.57 MMT (raw value), which is the same as MY03/04. According to industry sources, the MY03/04 crushing season for beets ended in February. The beet sugar output was 638,000 MT (raw value), down by more than 50 percent from 1.34 MMT (raw value) in MY02/03.

Cane sugar output for MY04/05 is forecast at 9.97 MMT (raw value), the same as MY03/04. As of this date, the cane crushing season is ongoing. Industry sources estimate that it will end by May.

The provincial government and mills are promoting the planting of more cane varieties. These diversified varieties mature at different times and thereby extend the crushing season in the cane producing regions. The crushing season in Guangxi, for example, used to be about 120 days in late 1990's. Now it averages 150 days.

The Guangxi provincial government has been very successful in improving the sector's efficiency over the past several years. It has encouraged the non-state sector to take over more of the mills. As a result, the crushing by state-owned plants now accounts for only 56 percent of Guangxi's total crushing capacity, which is down from 100 percent before China embarked on its economic reforms. The trend toward increasing private sector involvement is expected to continue in the coming years. Industry sources estimate production costs at RMB2,235/MT in 2003. The production cost by joint venture and privately owned mills was RMB100 lower than the provincial average.

Sugar wholesale price in production region

Wholesale Price of Grade 1 Granulated Sugar in Guangxi Province RMB/MT (US\$1.00=RMB8.26)			
Month	2002	2003	2004
January	2,858	2,280	2,548
February	2,759	2,358	2,502
March	2,707	2,439	*2,560
April	2,628	2,376	
May	2,813	2,310	
June	2,815	2,265	
July	2,744	2,140	
August	2,616	2,120	
September	2,652	2,247	
October	2,653	2,328	
November	2,483	2,577	
December	2,331	2,598	

<b>Yearly Average</b>	2,671	2,337	
<b>Source: Guangxi Sugar Exchange Center</b> Website: <a href="http://www.chinasugarmarket.com">www.chinasugarmarket.com</a> *Note: FAS/Beijing's estimate -- price for March 2004 is not available as of this reporting date.			

### Consumption

The MY04/05 sugar consumption forecast is about 12 MMT, which is higher than the revised MY03/04 estimate of 11.5 MMT. The majority of sugar is consumed by the food processing, beverage, and pharmaceutical industries. Household table sugar consumption accounts for a relatively small portion of the total. Total overall per capita sugar consumption in MY03/04 is estimated at about 8 Kg. Consumption has been increasing along with people's rising living standards and incomes and is expected to continue to rise in the foreseeable future. Overall sugar consumption has been growing at more than 5 percent annually over the past several years.

China's soft drink output in 2003 rose 17 percent to 24 MMT. Among them, sugar-containing drinks rose 17 percent to 14.2 MMT, according to the China Drinks and Beverage Association.

Regarding table sugar consumption, the trend differs between rural and urban consumers. Table sugar consumption in rural areas has risen steadily since 2000. It was 1.28 KG in 2000, 1.43 KG in 2001, and 1.64 KG in 2002. This is the opposite trend of urban consumers -- 1.81 kg in 1999, 1.70 kg in 2000, and 1.67 KG in 2001. (Official 2002 data are not available).

### Trade

Sugar imports for MY03/04 have been revised upward to 1.2 MMT from the previous estimate of 590,000 MT. The domestic sugar price is expected to increase after the crushing season ends in May. Therefore, more imports are expected toward the end of the market year before the new crushing season starts. The TRQ quota of 1.85 MMT for CY2003 was not filled. The TRQ for CY2004 is 1.95 MMT with a within-quota-tariff of 15 percent, which is down from 20 percent in CY2003. The CY2004 out-of-quota tariff rate is 50 percent, which is down from 58 percent in CY2003.

Each year, China imports about 450,000 MT of raw sugar from Cuba under a longstanding bilateral agreement. No one knows if or when these imports will end. China's first MY03/04 imports under this agreement arrived in March 2004.

### Stocks

Ending stocks for MY03/04 are estimated at 2.32 MMT (raw value), unchanged from the previous estimate. Stocks include state reserve and provincial short-term reserve and those held by the industrial, commercial, and distribution sectors.

Regarding the national reserve, industry sources estimate that the sugar imported under China's bilateral agreement with Cuba will all go into the reserve stocks. The Chinese leadership has been particularly concerned about raising farmers' incomes. However, given that the current domestic sugar price is about 10 percent higher than last year's average, the government might auction part of the reserve in the second half the year.

**Marketing**

China has no sugar marketing program. The China Sugar Association is a semi-official organization that acts as a liaison between the milling industry and the government. Over the past two years, the Association has promoted sugar consumption by publishing articles in the state media.

On Nov. 29, 2004, the China Sugar Crop Association and Guangxi Sugar Association will sponsor an international seminar that will focus on the sustainable development of the cane sugar industry. It will also cover technology research and plant breeding. It will be held in Nanning.

**Policy**

On Feb 13, 2004, China published a draft version of hygienic standard for sugar. FAS/Beijing has published an unofficial translation as attaché report CH4007 on [www.fas.usda.gov](http://www.fas.usda.gov). China notified the World Trade Organization as G/SPS/N/CHN/49 (see [www.wto.org](http://www.wto.org)). The draft standard corresponds to, but is not equivalent to, Codex Alimentarius Commission (CAC) Standard 212 (See [ftp://ftp.fao.org/codex/standard/en/CXS\\_212e.pdf](http://ftp.fao.org/codex/standard/en/CXS_212e.pdf) for details). The draft's stated objective is to improve the quality of domestic sugar products. However, it will also apply to imported raw sugar. The draft standard states, "...in reference to CAC [Codex Alimentarius Commission] Standard, raw cane sugar has been added in the standard...and the SO<sub>2</sub> in raw cane sugar conforms to stipulations in CAC Standard." This standard replaces two existing sugar standards, GB13104-1991 and GB14964-1994. The draft also added limits for molds and saccharomycetes, which make stricter hygienic standards on raw sugar, soft white sugar, and granulated sugar.

**Other Sweeteners****Saccharine**

Saccharine, which is four or five hundred times sweeter than sugar, is viewed as the major competitor to sugar in China. Since 2002, the Chinese government has tightened control on the sale of saccharine in China. However, it still produces and exports far more than it consumes domestically. In 2003 China, for example, produced 23,053 MT of saccharine, of which 19,140 MT were exported and 3,862 MT sold in China. In 2002 domestic sales were 3,865 MT. According to China Sugar Association, the government's 2004 saccharine domestic sales target is set at 3,500 MT, which is the same target as that in 2003. Actual domestic sales, however, are likely to exceed that target because the current domestic sugar price is 10 percent above last year's average.

**Starched-based Sweeteners**

There is a lack of official data on starch-based sweeteners in China. Industry sources estimate that about 2.6 MMT of cornstarch were used for the production of corn sweetener in 2003 with an annual growth rate of about 10 percent. The growth rate is expected to slow in 2004 because the price of starch has risen 20 percent since last fall. It currently exceeds RMB2,000/MT (ex-factory). Given China's declining grain production (at its lowest level in more than a decade), this trend is expected to continue in MY03/04.

## Tables

## Production, Supply, and Demand (PSD) Tables

Table 1. Centrifugal Sugar

PSD Table						
Country	China, Peoples Republic of					
Commodity	Centrifugal Sugar				(1000 MT)	
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Beginning Stocks	869	869	2070	2021	2347	2321
Beet Sugar Production	1241	1327	670	638	0	600
Cane Sugar Production	9396	10053	9400	9972	0	9970
TOTAL Sugar Production	10637	11380	10070	10610	0	10570
Raw Imports	480	710	475	800	0	850
Refined Imp. (Raw Val)	120	132	110	400	0	350
TOTAL Imports	600	842	585	1200	0	1200
TOTAL SUPPLY	12106	13091	12725	13831	2347	14091
Raw Exports	10	10	10	10	0	10
Refined Exp. (Raw Val)	110	110	105	50	0	40
TOTAL EXPORTS	120	120	115	60	0	50
Human Dom. Consumption	9916	10950	10263	11450	0	11965
Other Disappearance	0	0	0	0	0	0
Total Disappearance	9916	10950	10263	11450	0	11965
Ending Stocks	2070	2021	2347	2321	0	2076
TOTAL DISTRIBUTION	12106	13091	12725	13831	0	14091

Table 2. Sugar Cane

Country	China, Peoples Republic of					
Commodity	Sugar Cane for Centrifugal			(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	1379	1393	1406	1406	0	1410
Area Harvested	1379	1393	1406	1406	0	1410
Production	83985	90107	84825	90557	0	90750
TOTAL SUPPLY	83985	90107	84825	90557	0	90750
Utilization for Sugar	83985	90107	84825	90557	0	90750
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	83985	90107	84825	90557	0	90750

Table 3. Sugar Beets

PSD Table						
Country	China, Peoples Republic of					
Commodity	Sugar Beets			(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	422	424	413	340	0	290
Area Harvested	422	424	413	340	0	290
Production	11433	12819	11090	8300	0	8100
TOTAL SUPPLY	11433	12819	11090	8300	0	8100
Utilization for Sugar	11433	12819	11090	8300	0	8100
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	11433	12819	11090	8300	0	8100



## Trade Tables

Table 4. China's Sugar Imports by Origin - MY 2002/2003

(MT, Raw Basis)					
Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>Cuba</b>	0	0	260,584	116,893	377,477
<b>Thailand</b>	1,331	220	15,051	126,322	142,924
<b>Australia</b>	104,714	1,183	73	36,376	142,346
<b>South Korea</b>	33,288	22,800	28,904	32,245	117,236
<b>Fiji</b>	0	25,875	0	0	25,875
<b>South Africa</b>	16,304	246	0	0	16,550
<b>United Kingdom</b>	882	3,048	1,863	3,286	9,078
<b>U.A.E</b>	2,118	29	0	0	2,147
<b>Japan</b>	293	475	458	316	1,542
<b>Netherlands</b>	0	246	246	862	1,354
<b>Mozambique</b>	1,019	0	0	0	1,019
<b>Germany</b>	402	242	108	153	905
<b>Guatemala</b>	0	0	120	680	800
<b>Hong Kong</b>	253	170	153	23	599
<b>Vietnam</b>	591	4	0	0	595
<b>China</b>	405	1	7	4	417
<b>United States</b>	123	58	109	53	343
<b>Malaysia</b>	0	110	172	25	307
<b>All others</b>	367	86	3	275	732
<b>Grand Total</b>	162,089	54,791	307,852	317,513	842,245

Source: China Customs

Table 5. China's Sugar Imports by Origin - MY 2003/2004

(MT, Raw Basis)					
Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
Thailand	52,325	0	0	0	52,325
South Korea	44,205	0	0	0	44,205
Australia	39,842	0	0	0	39,842
United Kingdom	1,017	0	0	0	1,017
Netherlands	468	0	0	0	468
Japan	289	0	0	0	289
Hong Kong	33	0	0	0	33
Malaysia	25	0	0	0	25
Germany	10	0	0	0	10
United States	10	0	0	0	10
Taiwan	1	0	0	0	1
France	1	0	0	0	1
Iran	0	0	0	0	0
Switzerland	0	0	0	0	0
Vietnam	0	0	0	0	0
Guatemala	0	0	0	0	0
Denmark	0	0	0	0	0
New Zealand	0	0	0	0	0
All Others	0	0	0	0	0
Grand Total	138,226	0	0	0	138,226

Source: China Customs

Table 6. China's Sugar Exports by Destination - MY 2002/2003

(MT, Raw Basis)					
Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>Hong Kong</b>	9,549	8,723	8,128	9,222	35,622
<b>Malaysia</b>	3,288	11,894	11,443	231	26,857
<b>Indonesia</b>	13,533	0	7,678	3	21,214
<b>Mongolia</b>	3,055	3,158	4,506	6,357	17,075
<b>Japan</b>	771	3,267	1,991	679	6,708
<b>Singapore</b>	217	173	2,385	85	2,860
<b>Macau</b>	262	370	371	395	1,398
<b>United States</b>	590	242	231	297	1,360
<b>Russia</b>	0	69	418	709	1,197
<b>Laos</b>	0	160	481	218	859
<b>Canada</b>	268	59	263	168	759
<b>Philippines</b>	120	343	235	0	699
<b>Egypt</b>	183	190	230	0	603
<b>North Korea</b>	189	25	92	52	359
<b>Thailand</b>	0	69	160	115	343
<b>Australia</b>	102	38	38	32	210
<b>Saudi Arabia</b>	0	23	69	92	183
<b>U.A.E</b>	0	20	75	81	176
<b>All Others</b>	160	163	191	264	778
<b>Grand Total</b>	32,287	28,987	38,988	18,999	119,261

Source: China Customs

Table 7. China's Sugar Exports by Destination - MY 2003/2004

(MT, Raw Basis)					
Country	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sept	MY Total
<b>Hong Kong</b>	9,632	0	0	0	9,632
<b>Japan</b>	1,643	0	0	0	1,643
<b>Mongolia</b>	908	0	0	0	908
<b>United States</b>	737	0	0	0	737
<b>Macau</b>	377	0	0	0	377
<b>Canada</b>	296	0	0	0	296
<b>Russia</b>	291	0	0	0	291
<b>Malaysia</b>	241	0	0	0	241
<b>Singapore</b>	163	0	0	0	163
<b>United Kingdom</b>	92	0	0	0	92
<b>Saudi Arabia</b>	89	0	0	0	89
<b>Nigeria</b>	85	0	0	0	85
<b>Kuwait</b>	45	0	0	0	45
<b>Australia</b>	34	0	0	0	34
<b>North Korea</b>	27	0	0	0	27
<b>U.A.E</b>	24	0	0	0	24
<b>Netherlands</b>	23	0	0	0	23
<b>Lebanon</b>	23	0	0	0	23
<b>All others</b>	97	0	0	0	97
<b>Grand Total</b>	14,828	0	0	0	14,828

Source: China Customs