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Report Highlights:

China's estimated MY2021/22 sugar imports and stocks are revised upward, while consumption is revised downward due to low world prices and COVID-related policy impacts. Assuming beet acreage rebounds in Inner Mongolia, the MY2022/23 sugar production remains forecasted at 10 MMT. The MY2022/23 sugar consumption is forecast down at 15.3 MMT, as more time is needed for China's economy to recover from the effects of the pandemic, including potential changes to COVID-related policies.

Cane Sugar Production

China's marketing year (MY) 2022/23 (October-September) cane sugar production is forecast at 9 million metric tons (MMT), same as the previous forecast and up 300,000 metric tons (MT) from the estimated MY2021/22 cane production. With cane acreage remaining stable, this projected production will be realized if the weather in main cane regions (e.g., Guangxi, Yunnan) is normal and the transportation of imported cane occurs without significant disruptions caused by strict COVID-related requirements.

Overall, the MY2022/23 sugar cane area planted and harvested is forecast at 1.21 million hectares, unchanged from the previous forecast. To stabilize cane acreage, both Guangxi and Yunnan governments have issued local policies to encourage farmers to increase yields and for millers to improve proficiency.

In June 2022, the government in Yunnan issued a three-year (2022-2024) plan to modernize its agricultural industry. For sugar, the goals include maintaining Yunnan's cane acreage at around 3.5 million mu (233,333 hectares), achieving cane production of 17 MMT and maximizing sugar production of 2.5 MMT by 2024. Various supports are provided for cane farmers to use including access to good breeds and mechanical equipment, as well as for cane millers to increase profitability by improving the use of byproducts.

In September 2022, the government in Guangxi announced plans to continue subsidizing cane planting and harvesting, good breed development, field management, pest and disease controls, crop insurance, sugar future trading, as well as cane shipping and sugar processing.

China's MY2021/22 cane sugar production estimate remains unchanged at 8.7 MMT. As previously reported, production was affected by excessive rain, as well as transportation disruptions for imported cane resulting from strict COVID-related requirements. Consequently, Yunnan's sugar milling industry was forced to prolong its processing season by several weeks and a portion of imported cane could not be processed at all.

According to customs data, China imported 1.93 MMT sugar cane in MY 2021/22, 3 percent higher than that of MY2020/21 and the highest in recent history. Laos was the top supplier accounting for 60 percent, followed by Myanmar with 40 percent of China's cane imports. The trend of importing from Laos and Myanmar could continue to grow, as farmers are receptive to the prices being paid by Chinese millers. Should the transportation of imported cane transpire uninterrupted in MY2022/23, China's cane imports could reach over 2 MMT, which would equate to an approximate production of 250,000 MT of raw sugar.

Beet Sugar Production

The MY2022/23 beet sugar production forecast remains unchanged at 1 MMT, up 100,000 MT from the MY2021/22 estimate. The projected increase assumes that weather conditions in major beet regions (i.e., Xinjiang, Inner Mongolia) will be normal and the beet acreage in Inner Mongolia will rebound as farmers react to better prices.

According to industry news, in September 2022, beet purchase prices reached RMB550-600 (US$78.6-85.7, US$1=RMB7) per MT, up RMB45-90 ($6.4-12.9) from MY2021/22. After adding transportation costs, beet millers would need to pay farmers about RMB700 ($100) per MT, the highest in history. Increased beet purchase prices may help MY2022/23 beet acreage rebound and keep beet farmers from switching to other commodities with similarly high prices, such as corn, soybeans, and potatoes. As a result, MY2022/23 beet acreage is expected to reach 180,000 hectares.

China's MY2021/22 beet sugar production estimate remains unchanged at 900,000 MT. As previously reported, production was negatively affected by cooler temperatures in Xinjiang and reduced acreage in Inner Mongolia as beet farmers switched to other crops.

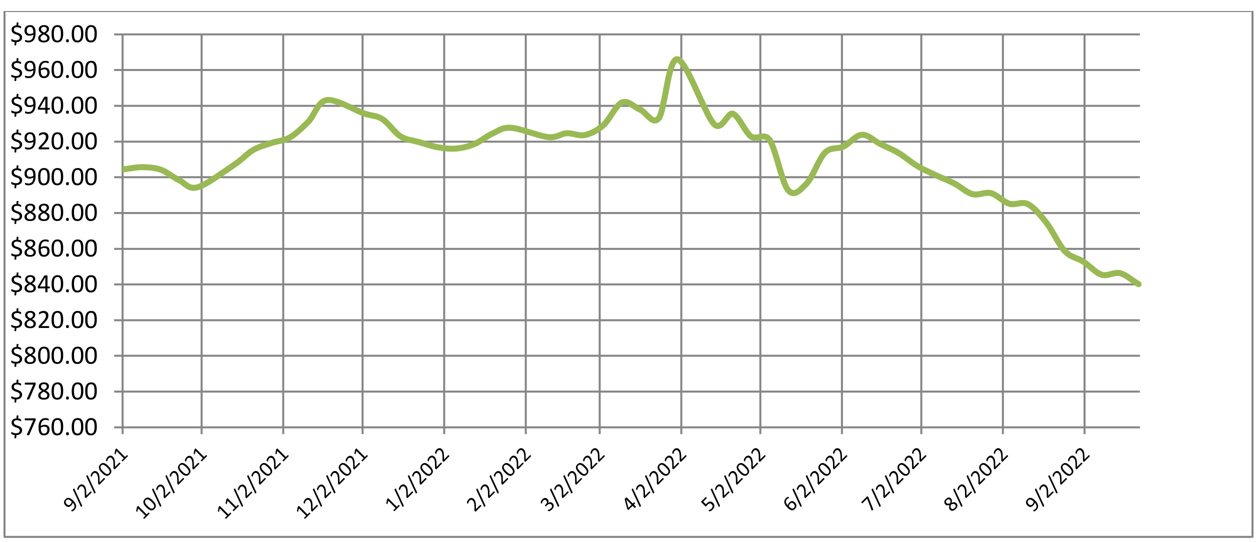
Centrifugal Sugar Production

The MY2022/23 centrifugal sugar production forecast remains unchanged at 10 MMT, up 400,000 MT from the MY2021/22 estimate. The projected increase assumes normal weather in both cane and beet production areas, undisrupted transportation of imported cane, and improved beet acreage in Inner Mongolia due to increased purchase prices.

As a result of increased world supplies and stocks in MY2022/23, industry insiders forecast that sugar prices will be even lower than MY2021/22: world prices at $16.5-19.5 cents per pound and China's sugar prices at RMB5,650-6,000 ($807-857) per MT.

The MY2021/22 centrifugal sugar production estimate remains unchanged at 9.6 MMT.

Chart 1: World Sugar prices from September 2021 - September 2022 (US dollar, metric ton basis)



Source: Data by www.msweet.com.cn and chart by ATO Guangzhou

Consumption

China's MY2022/23 sugar consumption is forecast at 15.3 MMT, down 500,000 MT from the previous forecast. The reduced projection is because the economy and the related consumer demand may need more time to recover from massive COVID-related lockdowns which occurred in 2022.

In MY2022/23, assuming the effects of the pandemic begin to dissipate, and China's COVID-related policies are changed, sugar consumption is expected to rebound. However, many uncertainties remain about China's economy.

The MY2021/22 sugar consumption estimate is also revised downward from the previous estimate to 14.8 MMT. Since the April 2022 estimate, massive lockdowns have taken place in several Chinese cities (i.e., Shanghai, Chengdu), sometimes affecting over twenty million people at a time. Experts have estimated that the recent lockdowns have affected 65 million people in 33 cities. Given lockdowns significantly affect travel and dining out, sugar consumption (both industrial and household) has been heavily impacted.

Many large industrial sugar end users (i.e., beverage makers, bakers, restaurants) are estimating sharp declines in sales as they have missed peak selling seasons. Household sugar consumption could partially compensate for the loss in industrial uses, but household consumption could be limited by the sluggish economy and low consumer confidence.

Trade

China's MY2022/23 sugar import forecast remains at 4.4 MMT, the same as the previous forecast. Despite the assumption that consumer demand will rebound and world sugar prices will be at lower levels, sugar imports should be curbed by high stocks.

MY2021/22 sugar import estimate is up to 5 MMT, up 500,000 MT from the previous estimate to reflect updated customs data. World prices dropped in July 2022. In August 2022, China imported 603,613 MT of sugar from Brazil alone, almost a 200 percent increase month-on-month and nearly 50 percent increase year-on-year. This sharp increase could be a result of Brazilian currency BRL exchange rate plummeting in the second half of July.

China's MY2022/23 forecast for sugar exports is revised up to 200,000 MT, to reflect the upward trend in recent years. The estimated MY2021/22 sugar exports are revised up to 160,000 MT to reflect the updated customs data. Mongolia, North Korea and Hong Kong are the main buyers, mostly for Chinese refined sugar.

Stocks

MY2022/23 sugar stocks are forecast at 3.88 MMT, down 1.1 MMT from the estimated MY2021/22 stocks. This projected reduction assumes that China's sugar consumption rebounds as the effects of the pandemic dissipate and COVID-related policies are changed.

MY2021/22 sugar stocks are estimated at 4.98 MMT, up 1.13 MMT from the previous estimate. The sharp increase in stocks is the result of declined sugar consumption due to COVID-related lockdowns and sluggish economy.

Imports of Sugar Syrup and Powdered Sugar

From October 2021 - August 2022, China imported over 1.03 MMT sugar syrup and powdered sugar. Thailand accounted for 85 percent, while other suppliers (Vietnam, Malaysia and Laos) accounted for nearly 15 percent. By the end of MY 2021/22, imports are estimated to reach over 1.1 MMT, which is equal to approximately 830,000 metric tons of raw sugar. China's sugar industry has petitioned the government, citing that imports of sugar syrup and powdered sugar should be subject to the same regulations as raw/refined sugar imports. It remains to be seen if any action is taken by the Chinese government.

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

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2020		Oct 2021		Oct 2022	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	4027	4027	5343	5343	3853	4983
Beet Sugar Production (1000 MT)	1500	1500	900	900	1000	1000
Cane Sugar Production (1000 MT)	9100	9100	8700	8700	9000	9000
Total Sugar Production (1000 MT)	10600	10600	9600	9600	10000	10000
Raw Imports (1000 MT)	5670	5670	3900	4400	3800	3800
Refined Imp.(Raw Val) (1000 MT)	670	670	600	600	600	600
Total Imports (1000 MT)	6340	6340	4500	5000	4400	4400
Total Supply (1000 MT)	20967	20967	19443	19943	18253	19383
Raw Exports (1000 MT)	13	13	3	3	5	5

Refined Exp.(Raw Val) (1000 MT)	111	111	87	157	100	195
Total Exports (1000 MT)	124	124	90	160	105	200
Human Dom. Consumption (1000 MT)	15500	15500	15500	14800	15800	15300
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	15500	15500	15500	14800	15800	15300
Ending Stocks (1000 MT)	5343	5343	3853	4983	2348	3883
Total Distribution (1000 MT)	20967	20967	19443	19943	18253	19383
(1000 MT)						

Table 2: Sugar Cane: Production, Supply and Distribution

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Oct 2021		Oct 2022		Oct 2022	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1191	1191	1210	1210	1210	1210
Area Harvested (1000 HA)	1191	1191	1210	1210	1210	1210
Production (1000 MT)	76820	76820	78000	78000	78000	78000
Total Supply (1000 MT)	76820	76820	78000	78000	78000	78000
Utilization for Sugar (1000 MT)	76820	76820	78000	78000	78000	78000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	76820	76820	78000	78000	78000	78000
(1000 HA) ,(1000 MT)						

Table 3: Sugar Beet: Production, Supply and Distribution

Sugar Beets	2020/2021	2021/2022	2022/2023
Market Year Begins	Oct 2021	Oct 2022	Oct 2022

China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	260	260	160	160	160	180
Area Harvested (1000 HA)	260	260	160	160	160	180
Production (1000 MT)	13600	13600	8700	8700	8700	9700
Total Supply (1000 MT)	13600	13600	8700	8700	8700	9700
Utilization for Sugar (1000 MT)	13600	13600	8700	8700	8700	9700
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	13600	13600	8700	8700	8700	9700
(1000 HA) ,(1000 MT)						

Attachments:

No Attachments