USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 6/1/2017

GAIN Report Number: CH176012

China - Peoples Republic of

Post: Guangzhou

China Raises Tariffs on Imported Sugar

Report Categories:

Sugar

Trade Policy Monitoring

Approved By:

Levin Flake

Prepared By:

ATO Guangzhou Staff

Report Highlights:

On May 22, 2017, China's Ministry of Commerce (MOFCOM) announced a safeguard measure on sugar imports from major supplying countries. For out-of-quota imports, the tariff will be raised from 50 percent to 95 percent, effective from May 22, 2017. For sugar imports within-quota, the tariff remains unchanged at 15 percent.

General Information:

Safeguard Measures

On September 22, 2016, China's Ministry of Commerce (MOFCOM) initiated an investigation into whether imported sugar caused damage to the domestic sugar industry, and to investigate the extent of this damage. This investigation was in response to a petition from the Guangxi Sugar Industry Association. Eight months after the start of their investigation, on May 22, 2017, MOFCOM announced that the investigation had found that China's sugar industry had suffered serious damage due to increased amounts of imported sugar and that a safeguard measure would be implemented to protect China's sugar industry. For out-of-quota sugar imports, the tariff will be raised from 50 percent to 95 percent, effective from May 22, 2017 to May 21, 2018. It will fall to 90 percent from May 22, 2018 to May 21, 2019 and further drop to 85 percent from May 22, 2019 to May 21, 2020. This tariff will be implemented on raw sugar and sugar products under the H.S. codes: 17011200, 17011300, 17011400, 17019100, 17019910, 17019920 and 17019990.

This safeguard measure is on sugar imports from major supplying countries (such as Brazil, Thailand, Australia and South Korea). Sugar imports from about 190 developing countries and regions are exempted from this measure as long as the market share of any of these suppliers remains below three percent. The tariff for within-quota sugar import, which is 1.945 million tons annually, remains unchanged as 15 percent. According to industry insiders, 70 percent of sugar import quotas are allocated to state-owned companies.

The MOFCOM announcement (in Chinese) about the new sugar import tariff can be found at:
http://www.mofcom.gov.cn/article/b/c/201705/20170502579130.shtml

Background

Among major sugar producing countries, China has the highest production costs. In fact, these production costs are estimated to be nearly double those in neighboring Thailand. One of the reasons for this is rising labor costs, and sugar industry contacts report that the cost of harvest labor can make up more than a third of the total purchase price of sugar cane.

Because of these higher production costs, there is a very large price gap in China between domestic and imported sugar and this makes importing sugar extremely profitable. This price gap has also led to significant sugar smuggling, and many analysts believe the higher out-of-quota tariff could result in increased smuggling.

For more information on Chinese sugar production, please see the 2017 China Sugar Annual report at:
https://www.fas.usda.gov/data/china-sugar-annual-1