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Global Agricultural Information Network

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## **China - Peoples Republic of**

## **Sugar Annual 2012**

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**Report Highlights:**

In MY 2012/13, total sugar production is forecast at 13.1 MMT (raw value), up 6 percent due to increased acreage for both sugar cane and sugar beets. In MY 2011/12, total sugar production is estimated at 12.3 MMT (raw value), up 10 percent because of higher acreage and strong yields. MY 2012/13 sugar imports are forecast to remain strong at 2.1 MMT (raw value).

**Executive Summary:**

In MY 2012/13, total sugar production is forecast at 13.1 MMT (raw value), up 6 percent due to increased acreage for both sugar cane and sugar beets. In MY 2011/12, total sugar production is estimated at 12.3 MMT (raw value), up 10 percent because of higher acreage and strong yields. MY 2012/13 sugar imports are forecast to remain strong at 2.1 MMT (raw value).

**Centrifugal Sugar Production**

In MY 2012/13, total sugar production is forecast at 13.1 MMT (raw value), up 6 percent due to increased acreage. Cane and beet sugar production is projected at 11.8 MMT and 1.3 MMT (raw value), rising 5 and 15 percent from the previous year. In MY 2011/12 total sugar production is estimated at 12.3 MMT (raw value), up 10 percent on higher acreage and strong yields.

Usually by the end of March, the sugar beet crushing season is complete. This year, only a few sugar mills were still operating in Heilongjiang (Xinjiang, Inner Mongolia, and Hebei had finished production). For cane sugar, the crushing season usually concludes by late April. From December to March in Guangxi province, the largest cane sugar producing province, rainy weather delayed harvest and prolonged a few sugar mill operations.

**Sugar Cane**

For MY 2012/13, total sugar cane area is forecast at 1.84 million hectares (Ha), up 4 percent on high prices, which influenced some farmers to switch from less profitable crops, such as cassava.

Production is projected to increase to 126 MMT on normal weather conditions and average yields. Winter sugar cane yield is expected to be below average due to low temperatures and rain from December to March (a critical period of growth). The winter cane season generally lasts from November to April. Temperature and soil moisture has been adequate for the spring sugar cane crop growing season, which lasts from March to January.

In MY 2011/12, different sugar cane producing provinces had varying weather conditions that affected sugar cane content. For example, longer periods of rain in Guangxi province caused sugar content to drop 0.5 percent from last year, but this also contributed to higher yields. Alternatively, in Yunnan drought increased the sugar content but produced a lower yielding crop.

Sugar mills generally do not produce their own sugar cane (although a few state plantations have their own sugar mills). In order to encourage and improve sugar cane production, sugar mill operators provide extension services to farmers to improve yields, as well as provide free or subsidized fertilizer, mechanical equipment for plowing, irrigation, and plastic film (to retain moisture and good temperatures). These benefits are also used to entice farmers to grow sugar cane in lieu of other crops such as paddy rice, corn, vegetables, or cassava.

Sugar cane accounts for 87 percent of China's total sugar area (sugar cane and sugar beets). Guangxi is the largest sugar cane producing province (64 percent of China's total sugar cane production), followed by Yunnan, Guangdong, and Hainan provinces.

Since MY 2011/12, the central government required all major sugar cane producing provinces to set a unified guidance purchase price to purchase sugar cane from farmers (previously only Guangxi province set a guidance price). If the market price rises for sugar, the sugar mill operator is obligated to pay a portion of the difference to farmers. For instance, if the guidance price of RMB 500 per ton is tied to a processed sugar price of RMB 7,000 per ton, and the processed sugar price subsequently rises RMB 100 per ton, the sugar mill operator must increase their payment to farmers by RMB 5 per ton. This pricing regime functions to guarantee a profit margin for cane farmers, but also prevents sugar mills from outbidding each other (all have to follow the guidance price).

In the last few years, the sugar cane purchase price has risen due to strong domestic demand. The provincial governments have not announced a guidance purchase price for MY 2012/13. The National Development and Reform Commission works with other government agencies to formulate a guidance price based on production costs for both sugar cane farmers and mills.

Purchase Price of Sugar Cane in Major Producing Provinces				
RMB per MT (USD \$1.00 = RMB 6.30)				
	Guangxi	Yunnan	Guangdong	Hainan
MY08/09	275	231	245	268
MY09/10	350	280	400-410	304
MY10/11	492	375	540-550	525
MY11/12	500	420	500	550
MY 12/13 is not available				
Source: Various Industry Sources				

Sugar cane production primarily relies on manual labor, as few farmers use machinery for harvesting or planting (labor dependent), although some do use tractors to plow the fields. Because of high urban wages, rural labor continues to migrate to the cities, which have caused rural labor costs to rise by more than 80 percent in some provinces. According to a Yunnan Sugar Association survey, total annual labor costs (for planting and harvesting) alone increased 66.6 percent to RMB 338.8 per mu (1 Ha=15 Mu). Overall, for MY 2011/12, total production costs are estimated to rise by at least 20 percent, which includes labor, fertilizer, and seed.

In order to address rising labor costs, according to local provincial media reports, state farms and agricultural machinery companies are developing small-scale mechanized farm equipment that farmers can use on small plots of land (averages about 4 mu per household in Guangxi, or less than an acre per household).

According to a Guangxi provincial government plan to increase sugar cane mechanization, by 2015 the government plans to raise farmer utilization for plowing, planting, and harvesting to 90, 25, and 20 percent, respectively. The plan also stipulates that a machinery subsidy will be given to large cane farms (previously this subsidy was only given for grain production), and supports the establishment of

special cooperatives that provide mechanized planting or harvesting services.

### **Sugar Beets**

For MY 2012/13, sugar beet area is forecast at 300,000 Ha, up 15 percent, and production is estimated at 13.4 MMT on average yields. Xinjiang, Heilongjiang, and Inner Mongolia comprise approximately 90 percent of China's total sugar beet output.

In order to encourage further acreage increases over other crops such as corn and tomatoes, sugar beet mills voluntarily raise the sugar beet purchase price for farmers, as well as provide extension services, tractors and other machinery, and subsidized seed and fertilizer. In Xinjiang, sugar beet mills specifically give financial assistance to large farms to encourage land consolidation.

Provincial sugar beet associations are lobbying the central government to acquire more financial support. For example, because most sugar beet planting and harvesting is conducted with manual labor, associations have asked for subsidies for sugar beet planting and harvesting equipment (the request potentially applies for both domestic and imported equipment), as well as seed subsidies. The Xinjiang sugar association specifically requested for a transportation subsidy to lower the domestic shipping cost between provinces.

Purchase Price of Sugar Beets in Major Producing Provinces			
RMB per MT (USD \$1.00 = RMB 6.3)			
	Xinjiang	Heilongjiang	Inner Mongolia
MY 09/10	280	320-370	320-360
MY 10/11	353	400	390
MY 11/12	450	532	480-500
MY12/13 data not available			
Source: Various Industry Sources			

### **Consumption**

MY 2012/13 sugar consumption is forecast at 14.7 MMT (raw value), up 3 percent from the previous year. Rising domestic sugar prices have caused more food processors and beverage manufacturers to utilize more starch sugar (including HFCS).

### **Trade**

MY 2012/13 sugar imports are forecast to remain strong at 2.1 MMT. In CY 2011, industry sources reported that the National Development and Reform Commission issued a special permit to import 1 MMT of sugar (did not charge the over-quota tariff), and most of these imports replenished the state reserve. This is the first time in a decade since China joined WTO that the government has issued such a special permit.

According to the 12<sup>th</sup> five year plan (2011-2015) on Light Industry Development, the central government is targeting a sugar self-sufficiency rate of 85 percent by the end of 2015, the first time that a government document made a statement on the sugar sufficiency rate. This could be an indication that China may be increasing its sugar imports in the future.

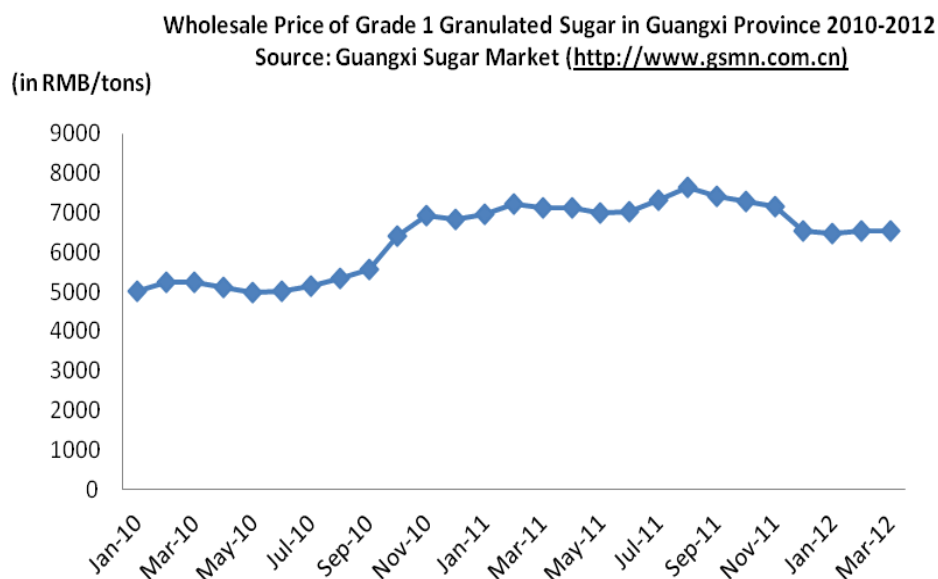
The CY 2012 TRQ is 1.95 MMT, with an in-quota-tariff rate of 15 percent. The CY 2012 over-quota tariff rate is 50 percent. Since 2005, the quota and tariff rate have not changed.

### Stocks

For MY 2012/13, ending stocks are forecast at 2.3 MMT (raw value), rising 22 percent from the previous year, due to sugar imports reportedly entering state reserves. Industry sources believe the total state reserve capacity is around 3 MMT.

In February 2012, the National Development and Reform Commission announced plans to start a temporary sugar reserve program. In order to provide sugar mills with a higher profit margin during the low part of the season (usually at the beginning of the crushing period), the government will purchase 1 MMT of sugar at an elevated price (higher than the market price). For example, the purchase price is set at RMB 6550 per ton (in Guangxi). The National Development and Reform Commission, Ministry of Trade and Commerce, Ministry of Finance, and Agricultural Development Bank jointly implement this program. By March 2012, less than 500,000 tons of sugar has been purchased.

Because the temporary sugar reserve acquires sugar at a higher market rate, it may have the unintended effect of keeping consumer sugar prices elevated. Moreover, it might also exacerbate the substitution of High Fructose Corn Syrup (HFCS) (see Starch-based Sweeteners section).



The central and provincial governments manage reserves to stabilize market prices and ensure adequate supplies. The National Development and Reform Commission is the lead agency that decides on the scale and the timing of purchases and auctions (For more information see GAIN CH10057 or CH10015).

### Other Sweeteners

## Saccharine

The CSA limits domestic saccharine sales to promote domestic sugar consumption for the benefit of sugar mills and sugar farmers, as well as supervises and inspects the production activities of saccharine plants that operate in China (there are currently only 5 plants). For 2011, the CSA has not announced the domestic saccharine production and export data. Industry sources believe these 5 plants annually sell more saccharine than what is reported to CSA.

According to various state media, misuse or excessive use of saccharine or other artificial sweeteners are frequently detected by provincial food safety and quality inspection agencies. CSA states it will continue working closely with other government agencies to restrict the illegal sale and domestic use of saccharine and other artificial sweeteners.

## Starched-based Sweeteners

For CY 2011, CSA has not yet announced an estimate for total starch sugar production. Industry sources estimate that in CY 2011 corn starch sugar production increased 15 percent, and is expected to remain strong for next year. In the last few years, the confectionary, dairy, beverage, food processing, and pharmaceutical sector have continued to substitute sugar for corn starch sugar due to high sugar prices.

## Tables

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

**Table 1. Centrifugal Sugar**

Sugar, Centrifugal China	2010/2011		2011/2012		2012/2013	
(1000 HA) (1000 MT)	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,355	2,355	1,607	1,621		1,891
Beet Sugar Production	863	863	990	1,100		1,265
Cane Sugar Production	10,336	10,336	10,850	11,224		11,800
Total Sugar Production	11,199	11,199	11,840	12,324		13,065
Raw Imports	1,850	1,837	1,950	2,000		1,800
Refined Imp.(Raw Val)	280	306	250	300		300
Total Imports	2,130	2,143	2,200	2,300		2,100
Total Supply	15,684	15,697	15,647	16,245		17,056
Raw Exports	5	5	4	4		4
Refined Exp.(Raw Val)	72	71	70	50		50
Total Exports	77	76	74	54		54
Human Dom. Consumption	14,000	14,000	14,300	14,300		14,700
Other Disappearance	0	0	0	0		0
Total Use	14,000	14,000	14,300	14,300		14,700
Ending Stocks	1,607	1,621	1,273	1,891		2,302
Total Distribution	15,684	15,697	15,647	16,245		17,056

**Table 2. Sugar Cane**

Sugar Cane for Centrifugal China	2010/2011		2011/2012		2012/2013	
(1000 HA) (1000 MT)	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,777	1,686		1,740		1,790
Area Harvested	1,777	1,686		1,740		1,790
Production	125,000	110,789		121,000		126,000
Total Supply	125,000	110,789		121,000		126,600
Utilization for Sugar	125,000	110,789		12,100		12,600
Utilizatr for Alcohol	0					
Total Utilization	125,000	110,789		12,100		12,600

**Table 3. Sugar Beets**

Sugar Beets China	2010/2011		2011/2012		2012/2013	
(1000 HA) (1000 MT)	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		219		262		300
Area Harvested		219		262		300
Production		9,296		11,620		13,400
Total Supply		9,296		11,620		13,400
Utilization for Sugar		9,296		11,620		13,400
Utilizatr for Alcohol						
Total Distribution		9,296		11,620		13,400

## Price Table

**Table 4. Wholesale Price of Grade 1 Granulated Sugar in Guangxi Province**

RMB per MT (USD \$1.00=RMB 6.3)					
Month	2008	2009	2010	2011	2012
January	3,442	2,828	5,025	6,961	6,486
February	3,657	3,045	5,236	7,213	6,551
March	3,528	3,478	5,244	7,114	6,553
April	3,360	3,579	5,129	7,117	

<b>May</b>	3,250	3,753	4,981	6,997	
<b>June</b>	3,216	3,786	5,017	7,041	
<b>July</b>	3,081	3,770	5,130	7,310	
<b>August</b>	2,802	3,986	5,339	7,636	
<b>September</b>	2,751	4,052	5,578	7,421	
<b>October</b>	2,746	4,110	6,410	7,280	
<b>November</b>	2,911	4,246	6,924	7,153	
<b>December</b>	2,905	4,793	6,832	6,540	
<b>Yearly Average</b>	3,137	3,786	5,025		
<b>Source: Guangxi Sugar Exchange Center and Guangxi Sugar Market</b>					
<b>Website: <a href="http://www.chinasugarmarket.com">www.chinasugarmarket.com</a> and <a href="http://www.gsmn.com.cn">http://www.gsmn.com.cn</a></b>					

## Trade Tables

**Table 5. China's Sugar Imports by Origin - MY 20010/2011 (MT)**

<b>Country</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>MY Total</b>
<b>World</b>	400,904	79,405	441,148	1,149,136	2,070,593
<b>Brazil</b>	312,940	1,143	138	838,586	1,152,807
<b>Korea South</b>	46,300	33,784	38,012	57,268	175,364
<b>Thailand</b>	1,394	7,575	139,707	110,242	258,918
<b>Cuba</b>	24,875	30,500	252,850	120,650	428,875
<b>Australia</b>	3,676	106	1,272	5,198	10,252
<b>Philippines</b>	0	0	0	16,800	16,800
<b>Malaysia</b>	1,519	0	1,927	206	3,652
<b>India</b>	52	1,040	520	0	1,612
<b>Mauritius</b>	152	110	111	13	386
<b>China</b>	0	66	0	0	66
<b>New Zealand</b>	682	264	0	0	946
<b>Germany</b>	24	1	30	24	79
<b>Japan</b>	48	17	29	4	98
<b>United States</b>	2	8	4	9	23
<b>Others</b>	9,240	4,791	6,548	136	20,715

Source: China Customs

**Table 6. China's Sugar Imports by Origin - MY 2011/2012 (MT)**

<b>Country</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>MY Total</b>
<b>World</b>	1,249,936				1,249,936



<b>Brazil</b>	1,150,466				1,150,466
<b>Korea South</b>	62,268				62,268
<b>Thailand</b>	17,343				17,343
<b>Cuba</b>	0				0
<b>Australia</b>	7,033				7,033
<b>Philippines</b>	6,000				6,000
<b>Malaysia</b>	5,716				5,716
<b>India</b>	590				590
<b>Mauritius</b>	324				324
<b>China</b>	66				66
<b>New Zealand</b>	60				60
<b>Germany</b>	24				24
<b>Japan</b>	17				17
<b>United States</b>	9				9
<b>Others</b>	20				20
Source: China Customs					

**Table 7. China's Sugar Exports by Destination - MY 2010/2011 (MT)**

<b>Country</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>MY Total</b>
<b>World</b>	22,716	15,008	20,671	12,385	70,780
<b>Hong Kong</b>	7,748	7,703	8,406	7,367	31,224
<b>United States</b>	878	543	1,055	1,112	3,588
<b>Mongolia</b>	4,709	2,592	5,719	633	13,653
<b>Malaysia</b>	3,504	475	886	833	5,698
<b>Canada</b>	235	172	348	271	1,026
<b>Singapore</b>	2,516	225	252	312	3,305
<b>Korea North</b>	257	81	89	72	499
<b>Macau</b>	143	171	101	118	533
<b>Japan</b>	178	1,590	2,450	253	4,471
<b>Syria</b>	42	21	42	126	231
<b>Somalia</b>	0	84	42	462	588
<b>Mexico</b>	0	0	0	53	53
<b>Australia</b>	80	94	175	128	477
<b>Others</b>	2,426	1,257	1,106	645	5,434
Source: China Customs					

**Table 8. China's Sugar Exports by Destination - MY 2011/2012 (MT)**

<b>Country</b>	<b>Oct-Dec</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sept</b>	<b>MY Total</b>
<b>World</b>	11,325				11,325
<b>Hong Kong</b>	6,954				6,954
<b>United States</b>	1,286				1,286
<b>Mongolia</b>	648				648
<b>Malaysia</b>	627				627

<b>Canada</b>	352				352
<b>Singapore</b>	234				234
<b>Korea North</b>	137				137
<b>Macau</b>	123				123
<b>Japan</b>	120				120
<b>Syria</b>	105				105
<b>Somalia</b>	84				84
<b>Mexico</b>	78				78
<b>Australia</b>	77				77
<b>Others</b>	500				500

Source: China Customs