

CHINA SUGAR UPDATE REPORT



[JUNE – JULY] 2021

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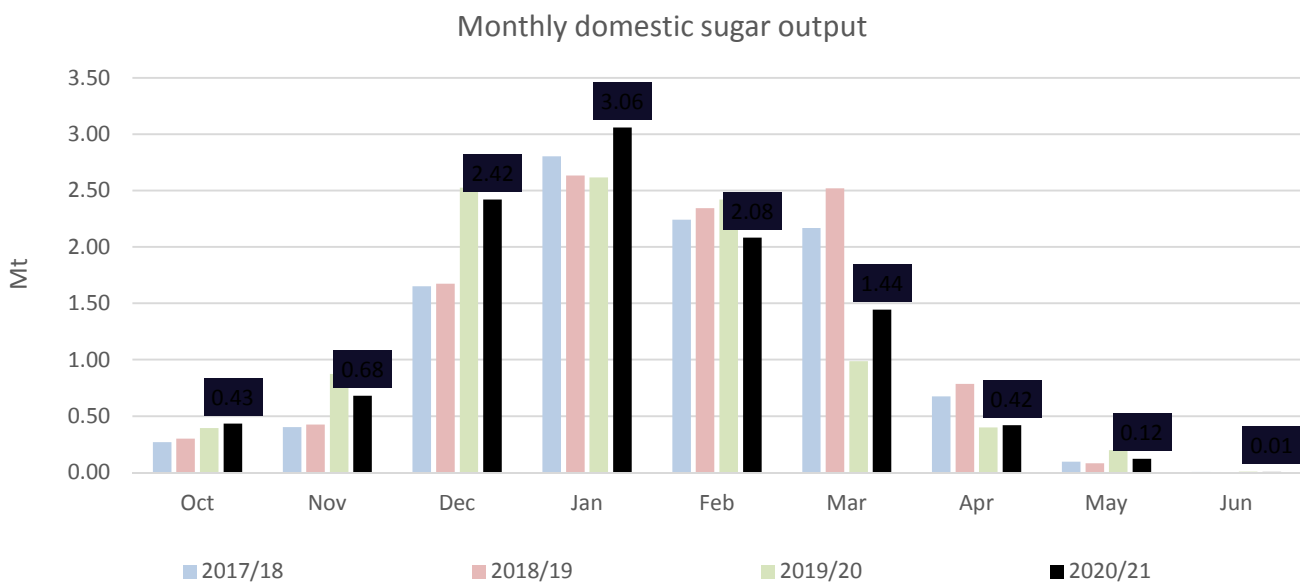


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1 – 2020/21 & 2021/22 DOMESTIC PRODUCTION

- By early June 2021, all but one (located in Yunnan) sugarcane processing facilities had ceased activities.
- Domestic Chinese sugar production marginally increased with an additional 6,100 t being produced in [Jun 21]¹.
- The 2020/21 crushing season officially ended on July 2nd (the last sugar mill² located in Yunnan ceasing operations on that day).



- Overall, **total 2020/21 sugar output** (Oct/Sep basis) reached **10.67 Mt**: up 2.5% from a year ago.
- Cane sugar and beet sugar account for respectively 86% and 14% of the total output.

¹ As a reminder, a total of 8,900 t of sugar was produced in [Jun 20].

² According to our information, there is a total of 50 sugar companies and 193 operating sugar mills nationwide (2020/21 data).

Sugar Production - [Oct – Jun]

	2020/21 Volume [Mt]	2019/20 Volume [Mt]	Y-O-Y variations [%]
Cane sugar	9.135	9.014	+ 1.3
Guangxi			
Yunnan			
Guandong			
Hainan			
Others			
Beet sugar	1.533	1.393	+ 10.1
Inner Mongolia			
Xinjiang			
Heilongjiang			
Others			
TOTAL	10.668	10.407	+ 2.5

- As anticipated in our previous report, it looks as if next season's sugarbeet acreage [REDACTED].
- However, with cane acreage up [REDACTED] China's 2021/22 cane and beet acreage is expected to total [REDACTED] hectares in 2021/22 [REDACTED].

	2021/22 [million Ha]	2020/21 [million Ha]	Y-O-Y variations [%]	2019/20 [million Ha]
Cane acreage	1.205	1.191		1.165
Beet acreage	0.183	0.262		0.215
TOTAL	1.388	1.453		1.380

- This situation is expected to result in 2021/22 sugar output [REDACTED] Mt.

	2021/22 [million tons]	2020/21 [million tons]	Y-O-Y variations [%]	2019/20 [million tons]
Cane output		9.14		9.02
Beet output		1.53		1.39
TOTAL		10.67		10.41

- According to the Chinese Meteorological Department forecasts, weather conditions that should prevail in summer are expected to benefit cane and its growth development (elongation stage at this time of the year).

2 – IMPORTS

- According to our calculations and based on an international sugar price ranging between [18 - 18.6] cts/lb, Chinese refiners have hardly any incentive to import raws for refining at the moment.

[USD/t]		
World sugar price FOB (98.2% Pol)	397	410
Freight	65	65
OOQ import duty@50%		
	241	248
Imported raw sugar price at destination (import duty paid)	638	658
Raw sugar prices for Chinese domestic market (duty + VAT paid)		
	721	743
Refining cost		
Processing losses		
Refined sugar price (ex-refinery)		
[RMB/t]		
USD / CNY exchange rate	6.5	6.5
Refined sugar price (ex-refinery)		

- A total of [] Mt of sugar has been imported in 2020/21: an additional [] t of Brazilian raws should reach China in [Aug 2021].

Sugar Imports

Month	2019 Volume [× 1,000 t]	2020 Volume [× 1,000 t]	2021 Volume [× 1,000 t]
Jan	130	320	620
Feb	10	10	430
Mar	60	80	200
Apr	340	120	180
May	380	300	134
Jun	140	410	416
Jul	440	310	
Aug	470	680	
Sep	420	540	
Oct	450	880	
Nov	340	710	
Dec	210	910	
TOTAL	3,390	5,270	2,03

- Meanwhile, China imported 232,000 t of sugar syrups over [Jan – Jun] 2021: down 51% from a year ago.

3 – DOMESTIC CONSUMPTION

- Sugar consumption has remained weak since the beginning of the 2020/21 season.
- By the end of [Jun 2021], 2020/21 sugar sales totalled 6.68 Mt nationwide: down from 7.09 Mt sold at the same time a year ago.

Sugar Sales - [Oct – Jun]

	2020/21 Volume [Mt]
Cane sugar	5.414
Guangxi	3.711
Yunnan	1.166
Guandong	0.489
Hainan	0.042
Others	0.006
Beet sugar	1.268
Inner Mongolia	0.748
Xinjiang	0.478
Heilongjiang	0.008
Others	0.034
TOTAL	6.682

- Summer time and rising temperatures at this time of the year should result in an increase of domestic sugar sales.
- China's sugar demand should be close to 15 Mt in 2020/21. With 10.7 Mt coming from domestic production, about 30% is covered thanks to import activities.

4 – DOMESTIC PRICES, STOCKS & SALES

- Estimated average price of *domestic cane sugar* in [Jun 21] = [REDACTED] RMB/t (~[REDACTED] USD/t)
- Estimated average price of *domestic beet sugar* in [Jun 21] = 5,381 RMB/t (~837 USD/t)
- Average USD/CNY exchange rate in [Jun 21] = 6.4264

- Estimated price of *domestic cane sugar* in 2020/21 (season average) = 5,335 RMB/t (~818 USD/t)
- Estimated price of *domestic beet sugar* in 2020/21 (season average) = [REDACTED] RMB/t (~[REDACTED] USD/t)
- Average USD/CNY exchange rate (season average) = 6.5235

³ It is indeed estimated that it will take about two months to “digest” and bring down inventories to a normal level.

5 – OTHER NEWS

- Cofco Sugar Industry – through its wholly-owned subsidiary Cofco (Tangshan) Sugar Industry Co., Ltd. - plans to invest 191 million CNY and build a 150,000 t sugar production line in the second phase of its “Caofeidian” refined sugar project.
- The project is set to start in August 2021 and could be completed by the end of 2022. Effective production is expected to start in 2023 with an estimated internal rate of return (IRR) of 12.79% and a payback period of 9.31 years.
- The company said that the construction of the project will help expand the company's sugar business scale through further expansion of sugar refining capacity, enhance the company's market influence and core competitiveness, and have a positive impact on the company's future sugar business development and development.
- According to custom statistics, Tianjin Port imported 117,000 tons of sugar over [Jan – May] 2021: more than 5 times the volume imported over the same period a year ago.
- Chinese sugar exports totalled 80 kt so far this season: down 33% from a year ago.



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