

CHINA SUGAR UPDATE REPORT



[AUGUST] 2021

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1 – UPCOMING 2021/22 DOMESTIC PRODUCTION

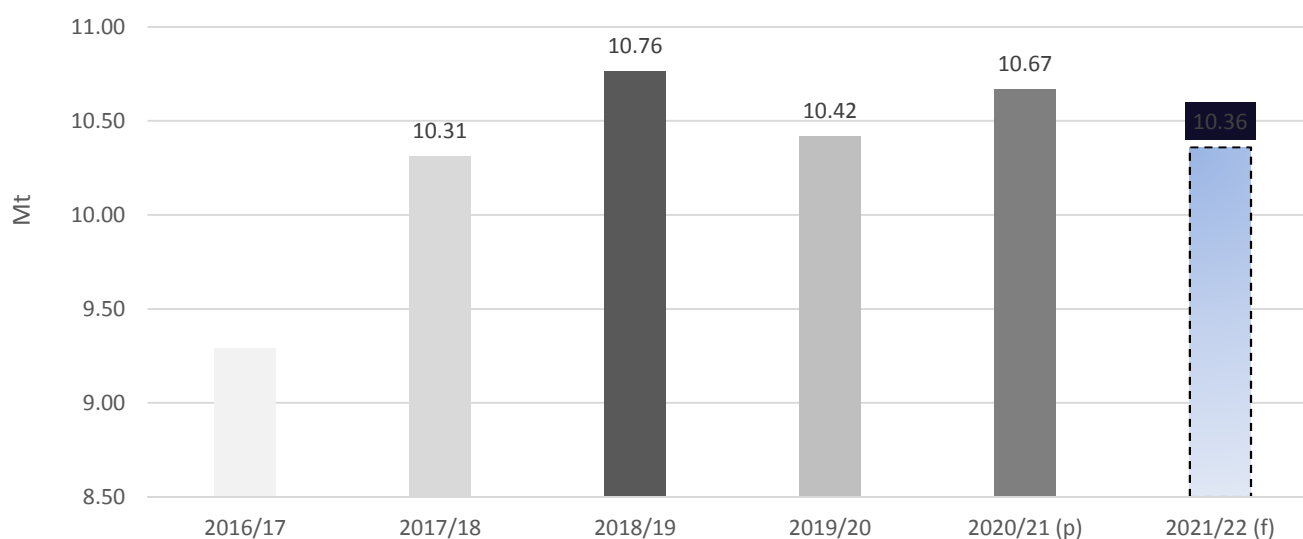
Despite a marginal rise in cane acreage triggered by renewed interests for cane cultivation in Yunnan, the significant rise of land rents and competition from alternative crops are expected to negatively affect beet acreage (-30%).

Overall, China's 2021/22 (basis Oct/Sep) cane and beet acreage is anticipated to total 1.388 million hectares in 2021/22: down 65,000 hectares (- 4.5%) from this season.

	2021/22 [million Ha]	2020/21 [million Ha]	Y-O-Y variations [%]	2019/20 [million Ha]
Cane acreage	1.205	1.191	+ 1.2	1.165
Beet acreage	0.183	0.262	- 30.2	0.215
TOTAL	1.388	1.453	- 4.5	1.380

Given better-than-originally thought prospects for productivity in cane regions (especially Guangxi thanks to improved weather conditions), this situation should result in 2021/22 sugar output going down ██████████ Mt.

Chinese sugar output



	2021/22 [million tons]	2020/21 [million tons]	Y-O-Y variations [%]	2019/20 [million tons]
Cane output			+ 2.5	9.02
Beet output			- 35.3	1.39
TOTAL			- 2.9%	10.41

2 – IMPORTS

- According to our calculations and based on an international sugar price set at 19.5 cts/lb, Chinese refiners have no more incentive to import Brazilian or Thai raws for refining as the refined sugar price (ex-refinery basis with duty and VAT paid) is above domestic prices.

[USD/t]	BR (98 Pol)	TH (98 Pol)
World sugar price FOB	421	453
<i>Premium/discounts incl.</i>		
Freight		
Pol. Premium		
Unloading + interest/management fees		
OOQ import duty@50%		
Imported raw sugar price at destination		
<i>Import duty paid</i>		
Refining cost		
Chinese VAT		
Refined sugar price (ex-refinery basis)		
<i>Processing losses incl. + VAT paid</i>		
[RMB/t]		
USD / CNY exchange rate		
Refined sugar price (ex-refinery)	5788	6007

- As of [Jul 21], a total of 4.96 Mt of sugar has already been imported in 2020/21: up 1.2 Mt from the 3.76 Mt which were imported in 2019/20.

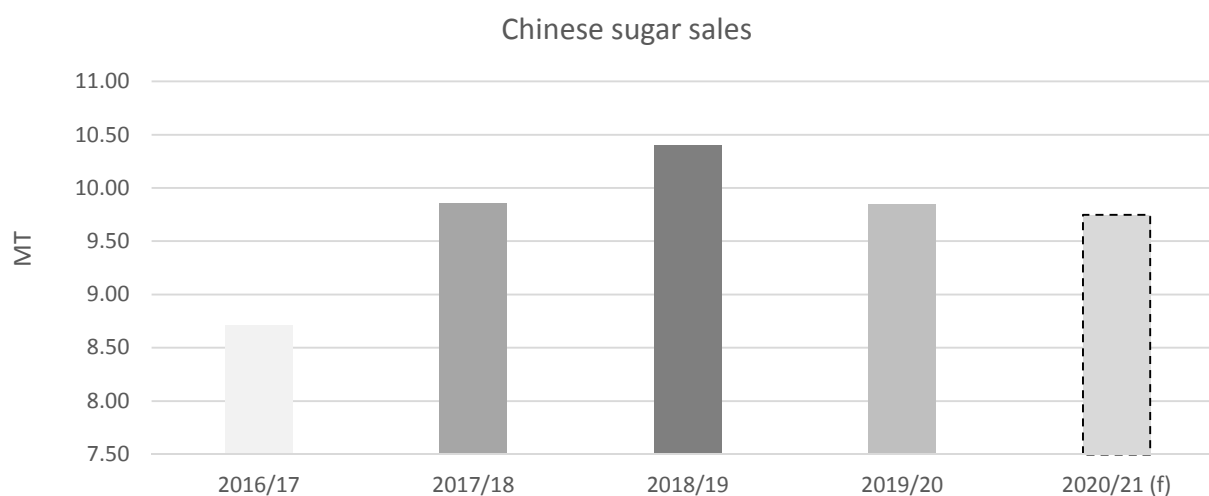
Sugar Imports

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	
Jun	140	410	
Jul	440	310	
Aug	470	680	
Sep	420	540	
Oct	450	880	
Nov	340	710	
Dec	210	910	
TOTAL	3,390	5,270	

- [Jul 21] imports almost exclusively originated Brazil (481 kt) followed by UAE (41 kt), South Korea (35 kt), Thailand (11 kt) and India (11 kt).
- Meanwhile, China imported 99 kt of sugar syrups in [Jul 21].
- Overall, China imported a total of :
 - 291 kt of sugar syrups over [Jan 21 – Jul 21]: down 57% from a year ago,
 - 664.9 kt of sugar syrups over [Oct 20 – Jul 21]: up 28.4 kt from the previous season.

3 – DOMESTIC CONSUMPTION

- Sugar sales totalled 8.76 Mt by the end of [Aug 21]: down from 9 Mt at the same time a year ago.



Sugar Sales - [Oct – Aug]

	2020/21 [Mt]
Cane sugar	7.355
Guangxi	
Yunnan	
Guandong	
Hainan	
Others	
Beet sugar	1.401
Inner Mongolia	
Xinjiang	
Heilongjiang	
Others	
TOTAL	8.756

- China's sugar demand is expected to [REDACTED]
- About 30% of the domestic sugar consumption will be fulfilled thanks to import activities.

4 – DOMESTIC PRICES, STOCKS & SALES

- Estimated average price of *domestic cane sugar* in [Aug 21] = [REDACTED] RMB/t (~859 USD/t)
- Estimated average price of *domestic beet sugar* in [Aug 21] = [REDACTED] RMB/t (~849 USD/t)
- Average USD/CNY exchange rate in [Aug 21] = [REDACTED]
- Estimated price of *domestic cane sugar* in 2020/21 (season average) = [REDACTED] RMB/t (~827 USD/t)
- Estimated price of *domestic beet sugar* in 2020/21 (season average) = [REDACTED] RMB/t (~802 USD/t)
- Average USD/CNY exchange rate (season average) = [REDACTED]

According to our information, end of 2020/21 season carryover should range [REDACTED] while some local sources reported an estimated [REDACTED] in warehouses [REDACTED].

Despite this higher-than-last-year inventory level, domestic prices could be supported by:

- An increase in domestic sugar consumption over Q4 2021,
- a significant drop in the amount of beet sugar which will be produced in 2021/22,
- the very limited amount of refined sugar which was previously purchased as raws for refining at relatively cheap prices (i.e. before international prices climbed up very significantly).

Current inventory of the National Sugar Reserve is estimated to range between [REDACTED].

5 – OTHER NEWS

- The French cooperative Tereos will reportedly no longer operate in China. After the setup of a joint venture in 2011, Tereos is expected to sell its minority shares (49%) to its joint venture partner: Wilmar International Ltd. (a Singaporean-based multinational).
- China imported 660 000 hectoliters of undenatured ethanol in [Jul 21].



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