

CHINA SUGAR UPDATE REPORT



[OCTOBER] 2021

Editors: Alexis PATRY



TABLE CONTENT

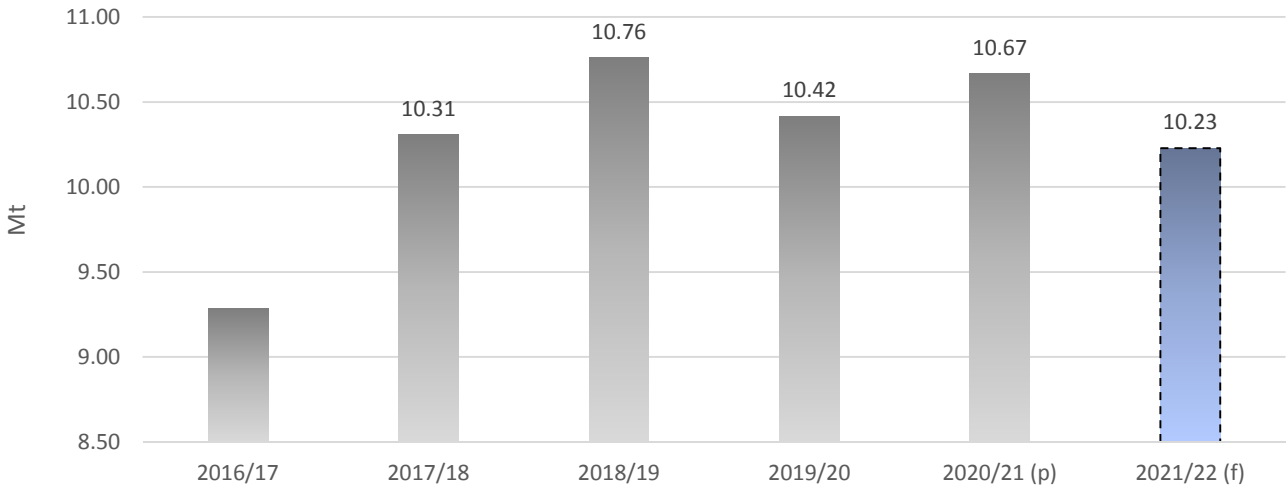
1 – 2021/22 DOMESTIC SUGAR PRODUCTION	2
2 – IMPORTS	3
3 – DOMESTIC SUGAR SALES	5
4 – DOMESTIC PRICES, STOCKS & SALES	5

1 – 2021/22 DOMESTIC SUGAR PRODUCTION

- As anticipated in our previous report, a number of industry sources have now revised down their production. According to some sources, China is now expected to produce 10.23 Mt in 2021/22 [Oct – Sep basis]: down 4% from a year ago.

• [REDACTED]

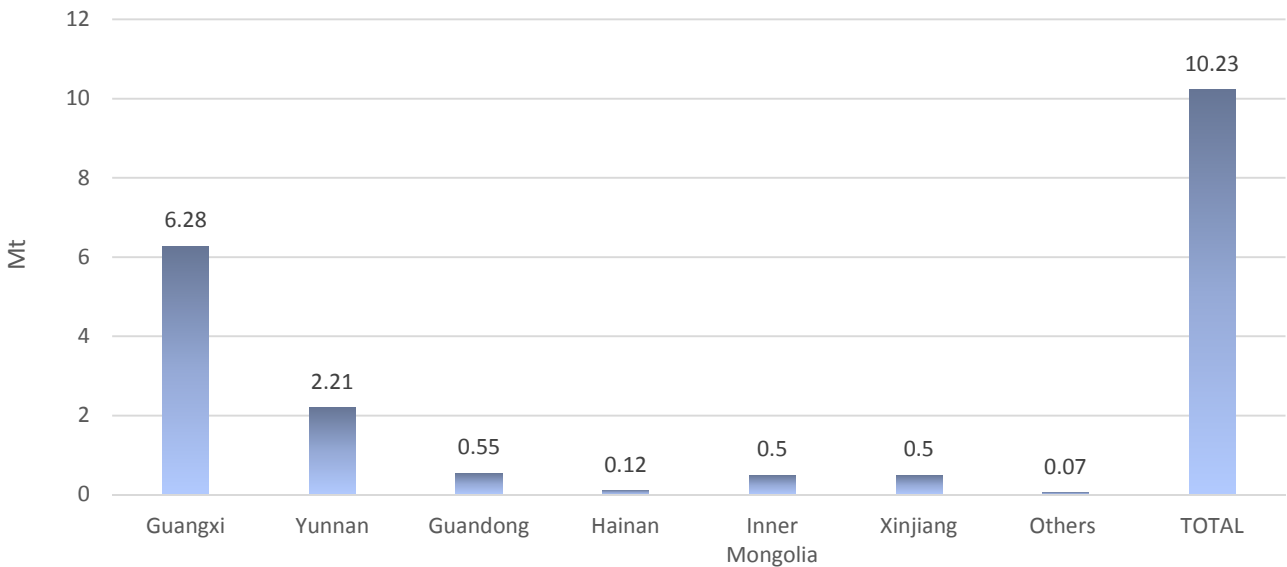
Chinese sugar output



Accounting for about 61% of this anticipated output, Guangxi is, by far, the most important sugar producing region (followed by Yunnan and Guandong). But prospects for 2021/22 output are quite gloomy over there.

[REDACTED]

2021/22 Chinese sugar output: regional expectations



- As of October 9th, a total of 13 beet processing facilities were operating in Inner Mongolia and Xinjiang.
- According to local sources, the first Yunnanese cane processing mill (Mengpeng Sugar Factory) started operations by the third week of October and should end the season in June 2022.



2 – IMPORTS

- According to our calculations (Table 2) using an international sugar price “base” set at 20 cts/lb, Chinese refiners have hardly any spot market incentive to ship Brazilian and/or Thai raws for refining as refined out-of-quota (OOQ) sugar import parity price is on par with the refined sugar price range reported on the domestic market (cf. point 4).

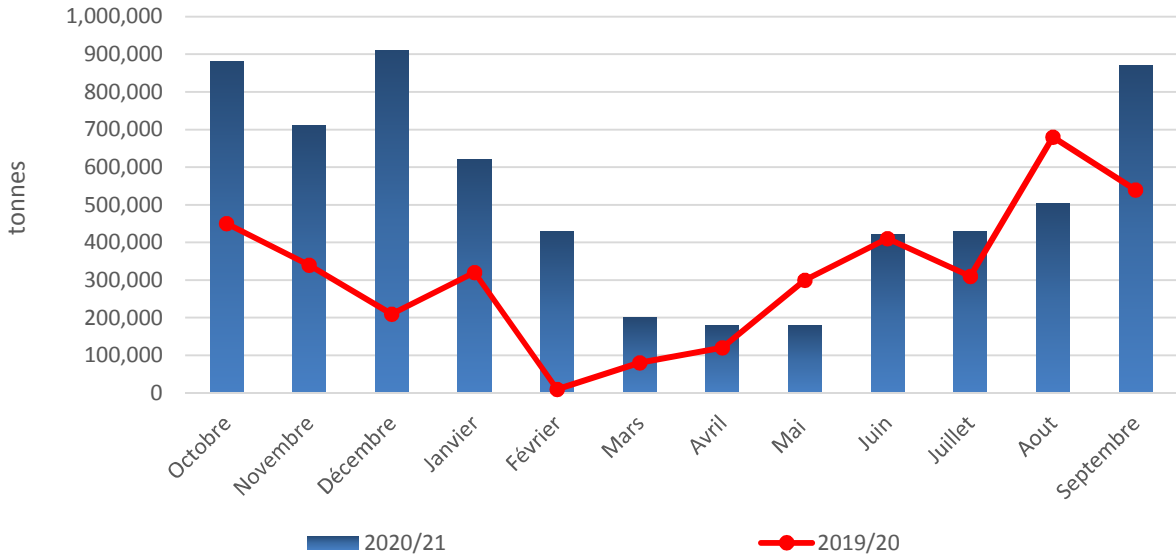
Table 1 - Chinese import parity for raws processed into refined sugar for sale on the domestic Chinese market

[USD/t]	BR (98 Pol)	TH (98 Pol)
World sugar price FOB	441	466
<i>Premium/discounts incl.</i>		
Freight		
Pol. Premium		
Unloading + interest/management fees		
OOQ import duty@50%		
Imported raw sugar price at destination	709	725
<i>Import duty paid</i>		
Refining cost	59	59
Processing losses	7%	7%
Chinese VAT	13%	13%
Refined sugar price (ex-refinery basis)	933	953
<i>Processing losses incl. + VAT paid</i>		
[RMB/t]		
USD / CNY exchange rate	6.4	6.4
Refined sugar price (ex-refinery)	5981	6106

- According to official data released by Chinese authorities, 870 kt of sugar were imported in [Sep 21].

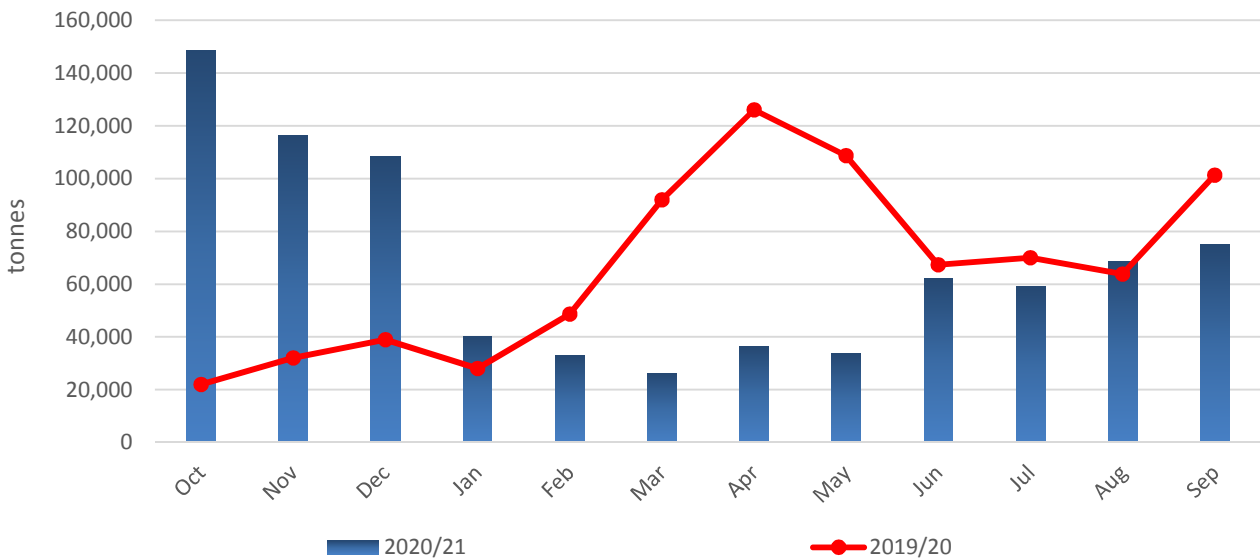
This eventually brings total 2020/21 sugar imports to 5.33 Mt; up 68% from the 3.77 Mt which were imported in 2019/20.

Graph 3 – Chinese sugar imports



- Unlike sugar, sugar syrups are not considered as “sensitive” products and imports are therefore not subject to any duty and quota restrictions as major exporters to China are part of China-ASEAN and RCEP trade agreements.
- Significant imports of syrups are putting a downward pressure on domestic white sugar sales’ prices.

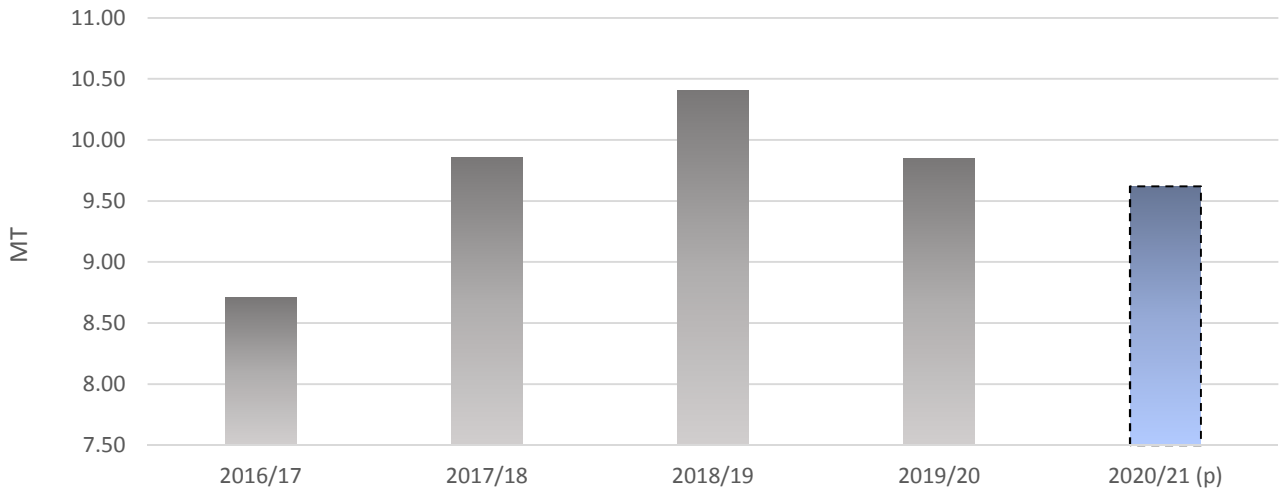
Graph 4 - Chinese sugar syrup imports



3 – DOMESTIC SUGAR SALES

- A total of 40,000 tons of sugar was sold in Inner Mongolia throughout [Oct 21]
- 2020/21 sugar sales totalled 9.61 Mt.

Graph 4 – Chinese sugar sales



4 – DOMESTIC PRICES, STOCKS & SALES

- Guangxi sugar price range : [REDACTED] RMB/ton.
- Yunnan sugar price range : [REDACTED] RMB/ton.
- Refined sugar price range : [REDACTED] RMB/ton.
- According to official data, the 2020/21 carryover stocks was estimated at [REDACTED] : much higher than the 566 kt reported for the previous season.

However, calculations performed using regional datasets [REDACTED]

- Industrial inventory was 150,000 tons in Inner Mongolia by the end of [Oct 21]



www.apic-consulting.com

Disclaimer

With respect to all the information contained herein, neither APIC Consulting Pte. Ltd, nor any officer, servant, employee, agent or consultant thereof make any representations or give any warranties, expressed or implied, as to the accuracy, reliability or completeness of the information contained herein, including but not limited to opinions, information or advice which may be provided to users of the document. No responsibility is accepted to users of this document for any consequence of relying on the contents hereof.