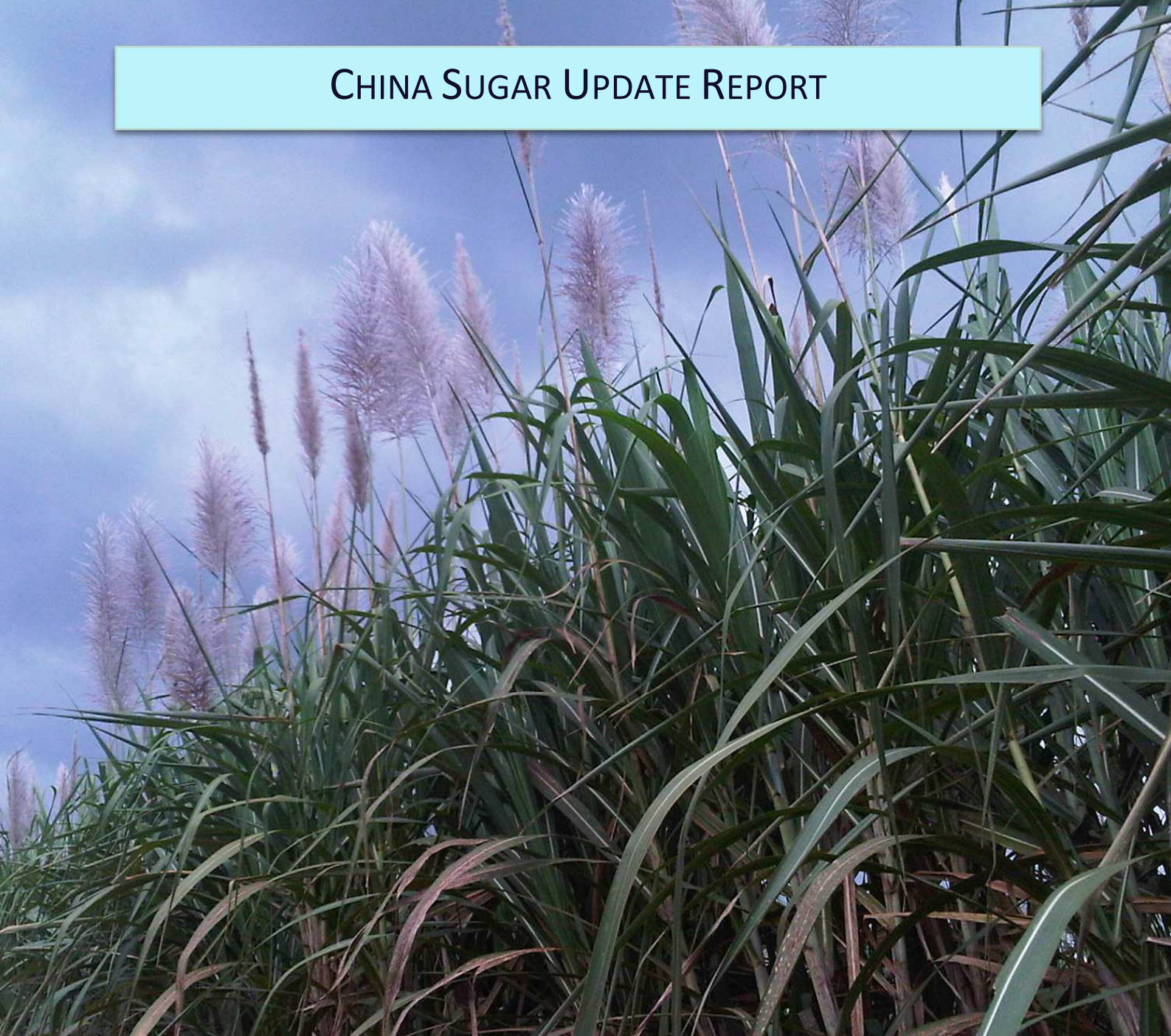


CHINA SUGAR UPDATE REPORT



DECEMBER 2021

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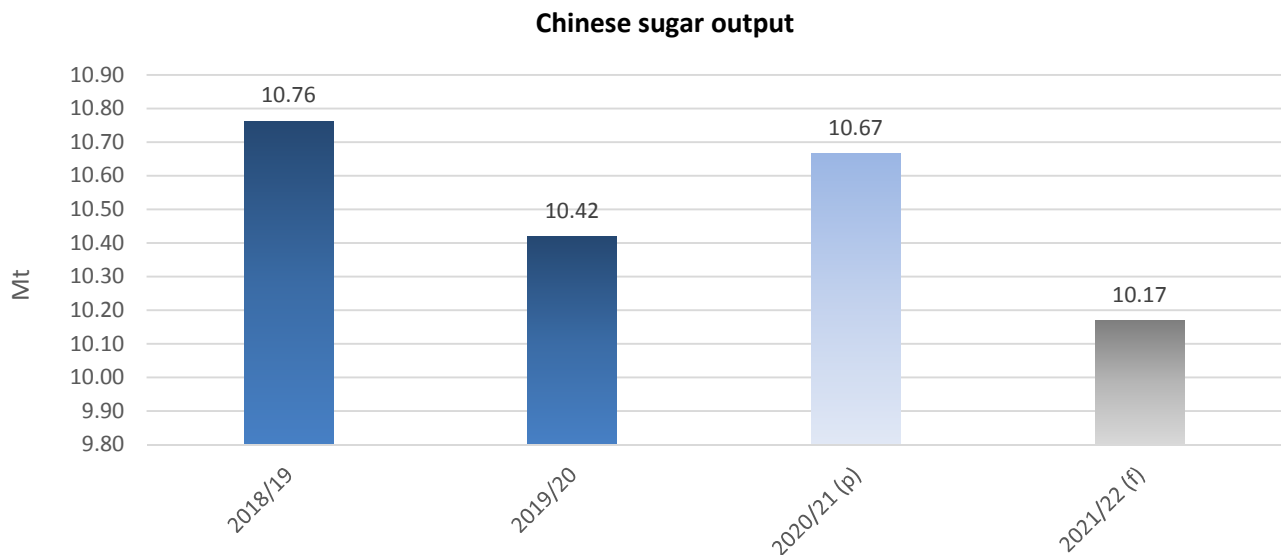


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1 – 2021/22 DOMESTIC SUGAR PRODUCTION

- As anticipated in our previous report, a number of analysts have now revised down production expectations for this season. The consensus is now close to 10.2 Mt as anticipated in our previous report.
- However, we consider that there is still some potential for a further downward revision of the domestic output which could be close to 10 Mt.



- By November 30, **Xinjiang** had produced 254 kt of sugar: down 103 kt from a year ago.
- By the end of [Nov 21], 759 kt of sugar had been produced nationwide : down from the 1.11 Mt produced a year ago.
- Cane sugar production by the end of [Nov 21] : 116 kt
- Beet sugar production by the end of [Nov 21] : 643 kt
- By the end of [Dec 21], all sugar mills (74 in total) located in **Guangxi** were operating with a total daily cane crushing capacity of 590 kt. As of December 31st :
 - Guangxi had crushed a total of 15.3 Mt of sugarcane, a year-on-year decrease of 1.48 Mt,
 - Sugar production had totalled 1.77 Mt: down 220 kt from a year ago,
 - Sugar yield extraction averaged 11.61% : almost on par with last year,
 - Cumulative sugar sales amounted to 807 kt : down 31 kt from a year ago.
- As of December 31st, 19 sugar mills were operating in the **Yunnan** Province : down from 26 operating mills at the same time a year ago. Meanwhile, crushed sugarcane totalled 1.16 Mt and sugar production was estimated at 121 kt (against 174 kt a year ago).
- By the end of [Dec 21], a total of 17 sugar mills were operating in **Guangdong**. A total of 931 kt of cane had been harvested and 80 kt of sugar were produced: up from the 62 kt a year ago. The sugar extraction rate recorded so far is 8.62%: up from 8.19% a year ago.

- The 2021-22 campaign started late in **Hainan**. By early [Jan 22], a total of 5 sugar mills were operating in the province. Overall, Hainanese mills are expected to produce 900 kt of cane. However, since the province was hit by two successive typhoons in [Oct 21], cane sugar content may be low and could seriously affect sugar yields.
- As of January 5th, all sugar mills (17) located in **Zhanjiang** had started operations.
- As of December 31st, **Inner Mongolia** had produced 440 kt of sugar (10 sugar mills having already closed down): down 293 kt from a year ago. Meanwhile, cumulative sugar sales totalled 310 kt (down 101 kt from a year ago).

2 – IMPORTS

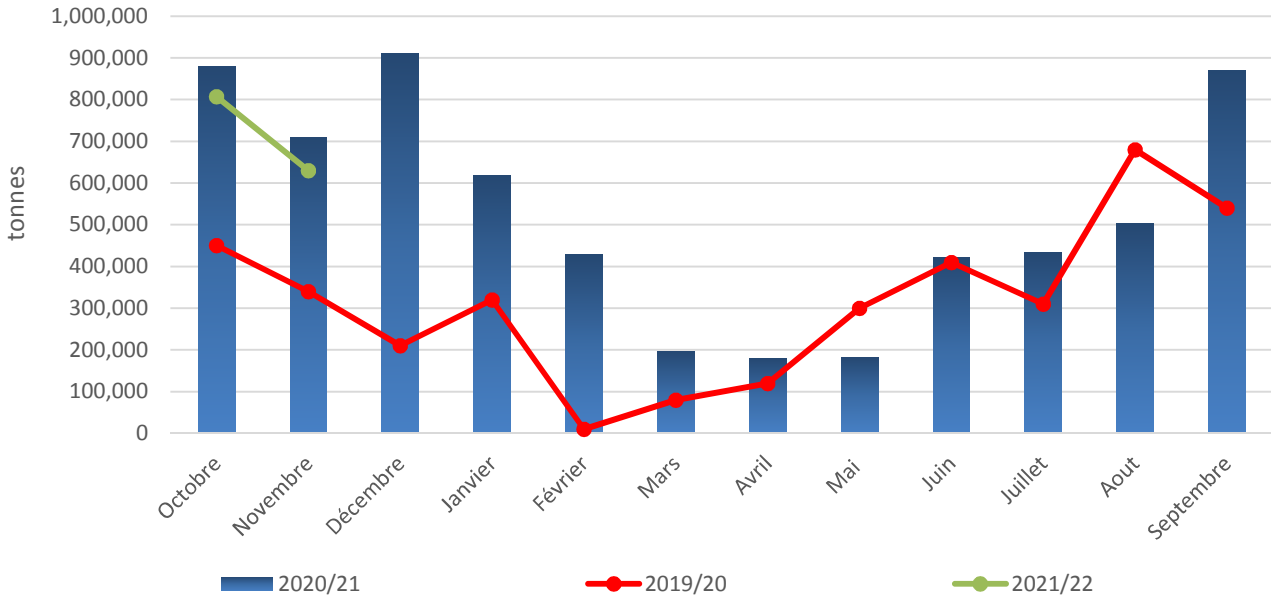
- According to our calculations (Table 1) using an international sugar price “base” set at 18 cts/lb, Chinese refiners have no interests to ship Brazilian and/or Thai raws for refining as the refined out-of-quota (OOQ) sugar import parity price is above the average domestic selling price of sugar reported on the domestic market (cf. point 4). Consequently, volumes imported in [Dec 21] are expected to be quite low.

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		
<i>Premium/discounts incl.</i>	394	425
Freight	60	24
Pol. Premium	11	12
Unloading + interest/management fees	9	9
OOQ import duty@50%	237	235
Imported raw sugar price at destination		
<i>Import duty paid</i>	712	705
Refining cost	60	60
Processing losses	7%	7%
Chinese VAT	13%	13%
Refined sugar price (ex-refinery basis)		
<i>Processing losses incl. + VAT paid</i>	938	930
[RMB/t]		
USD / CNY exchange rate	6.4	6.4
Refined sugar price (ex-refinery)	5972	5925

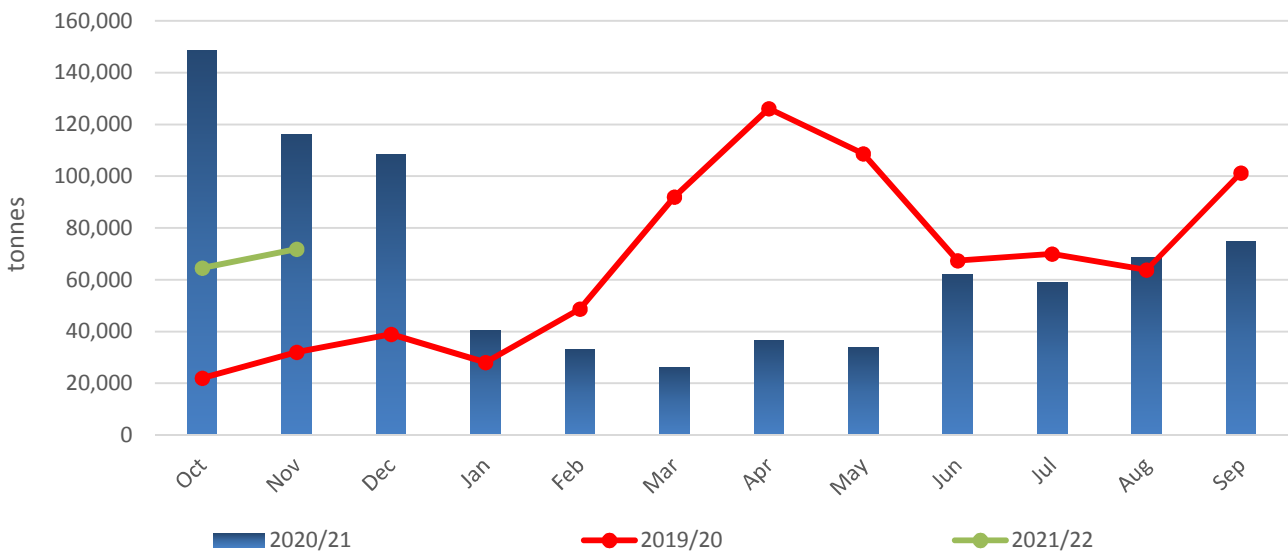
- According to official data released by Chinese authorities, 630 kt of sugar were imported in [Nov 21].
- **This eventually brings total [Jan 21 – Nov 21] sugar imports to 5.27 Mt: up 21% from the 4.36 Mt which were imported over the same period in 2020.**

Graph 1 – Chinese sugar imports



- Meanwhile, 72 kt of syrups were imported in [Nov 21].
- This brings total 2021 imports to 571 kt (Graph 4): down 41% from the 971 kt imported in 2020 over the same period.
- Overall, imported sugar syrups (regrouping NC codes 17029011 + 17029012 + 17029090) in 2021 represent the equivalent of 375 kt of raw sugar.
- 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.

Graph 4 - Chinese sugar syrup imports



3 – DOMESTIC PRICES, SALES & STOCKS

- Estimated average sales price of **domestic white sugar [Jan 21 – Dec 21] = 5777 CNY/ton**
- Estimated average sales price of **domestic cane sugar [Jan 21 – Dec 21] = 5781 CNY/ton**
- Estimated average sales price of **domestic beet sugar [Jan 21 – Dec 21] = 5759 CNY/ton**

- Estimated average sales price of **domestic white sugar [Dec 21] = 5774 CNY/ton**
- Estimated average sales price of **domestic cane sugar [Dec 21] = 5774 CNY/ton**
- Estimated average sales price of **domestic beet sugar [Dec 21] = 5772 CNY/ton**

- By the end of [Nov 21], 168 kt of sugar had been sold nationwide: down from 434 kt sold a year ago.
- Cumulative sugar sales rate was 22.18% by the end of [Nov 21].

- Inner Mongolia industrial inventory was estimated at 130 kt by the end of [Dec 21] : down from 192 kt a year ago.
- Xinjiang industrial inventory was estimated at 223 kt by the end of [Nov 21] : down 59kt from a year ago.
- Hainan industrial inventory was estimated at 10.5 kt by late [Nov 21] : down 11.4 kt from a year ago.

4 – END-SEASON ESTIMATES

	Volume [Mt]
Carryover stocks (2020-21)	1.35
Domestic production	[10 – 10.2]
Sugar imports	5
Domestic consumption	[15.6 – 15.8]
Exports	0.18
Carryover stocks (2021-22)	[0.37 – 0.77]



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