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China, Peoples Republic of

Sugar

Semi-Annual

2003

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Report Highlights:

Total sugar production has been revised upward by 5.2 percent since the initial forecast contained in FAS/Beijing's April 2003 sugar annual report (CH3024). Most of the increase can be attributed to higher than previously forecast yields for cane.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Beijing [CH1]
[CH]

Production

Overview: Total sugar production is 5.2 percent more than initially forecast in FAS/Beijing's April 2003 sugar annual report (CH3024). Most of the increase can be attributed to better than expected cane yields. The cane area planted remains unchanged from the initial forecast – 1.4 million ha. Regarding beets, both the area planted and production have been reduced significantly from the previous forecast because of unfavorable weather conditions and more profitable alternative crops.

Cane:

Planted area for MY04 remains the same as previously forecast – 1.4 million ha – which is essentially the same as the revised estimate for MY03. The cane production forecast, however, has been increased 6.8 percent due to better than previously expected yields. Despite the low purchase price paid by the mills in MY03 and an even lower price in MY04, farmers in the main producing provinces of Guangxi and Yunnan continue to grow cane, rather than switch to other crops.

The preliminary estimate of planted area for MY03 has been revised upward slightly since the last report. Production has been revised upward by 7.3 percent because crushing season in southern China extended much longer than normal -- until late May -- and higher than normal yields.

Country	China, Peoples Republic of					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	1248	1248	1379	1393	1406	1406
Area Harvested	1248	1248	1379	1393	1406	1406
Production	75663	75663	83985	90107	84825	90557
TOTAL SUPPLY	75663	75663	83985	90107	84825	90557
Utilization for Sugar	75663	75663	83985	90107	84825	90557
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	75663	75663	83985	90107	84825	90557

Beet

The beet planted area has been reduced 20 percent and production has been reduced 38.7 percent both from the previous forecast. These reductions can be attributed to an early spring drought in the major beet producing regions of Xinjiang Province, Inner Mongolia, and Heilongjiang. This delayed the planting season and precluded farmers from planting the total area that FAS/Beijing had previously forecast. It also reduced yields. Another reason for the reduction is, unlike the sugar cane farmers in South China, a preliminary survey conducted by the Ministry of Agriculture concluded that the beet farmers in the Northeast are expected to

respond to the falling price they receive for their beets by switching to more profitable crops, namely soybeans, sunflower seeds, and corn. The government's MY04 target price for beets is RMB170/MT, down from RMB221/MT in MY03.

Country	China, Peoples Republic of					
Commodity	Sugar Beets				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	406	406	422	424	413	330
Area Harvested	406	406	422	424	413	330
Production	10889	10889	11433	12819	11090	6860
TOTAL SUPPLY	10889	10889	11433	12819	11090	6860
Utilization for Sugar	10889	10889	11433	12819	11090	6860
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	10889	10889	11433	12819	11090	6860

Sugar

Sugar output for MY04 has been revised upward 5.2 percent since the previous forecast. Most of this increase can be attributed to the higher than previously forecast cane yields that were discussed above. Given that about 90 percent of China's sugar production comes from cane and 10 percent comes from beets, the higher than previously forecast cane yields more than offset the sugar output lost from the sharp reduction in beet production.

Country	China, Peoples Republic of					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Beginning Stocks	1004	1004	1142	869	1538	2070
Beet Sugar Production	1090	1090	1258	1241	1220	670
Cane Sugar Production	7215	7215	8230	9396	8312	9400
TOTAL Sugar Production	8305	8305	9488	10637	9532	10070
Raw Imports	1234	1234	450	480	500	475
Refined Imp.(Raw Val)	141	141	90	120	80	110
TOTAL Imports	1375	1375	540	600	580	585
TOTAL SUPPLY	10684	10684	11170	12106	11650	12725
Raw Exports	9	9	10	10	10	10
Refined Exp.(Raw Val)	483	451	500	110	400	105
TOTAL EXPORTS	492	460	510	120	410	115
Human Dom. Consumption	9050	9355	9122	9916	9194	10263
Other Disappearance	0	0	0	0	0	0
Total Disappearance	9050	9355	9122	9916	9194	10263
Ending Stocks	1142	869	1538	2070	2046	2347
TOTAL DISTRIBUTION	10684	10684	11170	12106	11650	12725

Policy

As stipulated in China's WTO accession agreement, the calendar year 2003 in-quota tariff for sugar is 20 percent. The in-quota quantity for the same period is 1.852 MMT. On January 1, 2004, the in-quota tariff rate will be reduced to 15 percent, and the in-quota quantity will be increased to 1.945 MMT. These quantities are 18.7 and 19 percent of domestic consumption in each of the respective years. In July 2003, responsibility for administering the sugar TRQ switched to China's Ministry of Commerce (MOC) from the State Development and Reform Commission. (Note: On Sept 29, 2003, MOC announced the operating procedures for administering the 2004 TRQs for all commodities subject to a TRQ, including sugar. FAS/Beijing expects to publish a report in the near future that explains those procedures.)

China's position in the new round of WTO agricultural negotiations with respect to sugar reflects the Chinese industry's complaint that it was forced to give more concessions in the WTO accession agreement than any other agricultural sector, therefore it should not be asked to make further concessions in the new Doha Round.

In August, before the new crushing season started, the China Sugar Industry Association proposed that MY04 purchase prices for cane and beet should be set at RMB130/ton and RMB170/ton (US\$1 = RMB8.27) respectively. As discussed in the annual report, the purchase price for both beet and cane has declined sharply for

the past three years. However, this has forced farmers and mill operators to improve their production efficiency.

Stocks

The ending stocks for MY04 have been revised upward 14.7 percent from the initial forecast. That revision that can be traced to cane production and yield being greater than initially estimated in MY03. In MY04, any sugar import from Cuba likely will go into the government's strategic stocks.

Trade

The MY04 forecast for sugar imports and exports both have been reduced since the initial forecast. With greater than estimated production and stock buildup in MY03, less sugar was re-exported in MY03. This situation is expected carry over into MY04.

Sugar Consumption and Saccharine

Saccharine and other sweeteners in recent years has been strictly regulated or restricted by the government. The production for saccharine in 2003 was set by the authority at 17,500 tons among which only 3,500 tons is permitted for domestic sale and the rest is all earmarked for export. In the first seven months, total production and domestic sale are 15,442 tons and 1,752 tons respectively. The restricted production and sale of saccharine has made possible more consumption of sugar. Actually, the low sugar price also helped the sugar maintain its market share. Food processors are more inclined to use natural sugar than artificial sweeteners. According to an industry source, in MY03 estimated sugar consumption grew about 5 percent in MY03.

Industry sources estimate that per capita sugar consumption in MY03 was above 7 kg. As people's living standard improves in China, sugar consumption is expected to continue increasing.