
Report on Development and Investment of China's Sugar Industry (2018-2019)



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Research Background

BOABC presents a valuable analysis report on the sugar industry and investment based on more than two decades of continual accumulation of industrial data, constant following up the industrial changes and persistent in-depth studies.

Sugar production during 2017/18 campaign recorded 10.31 million tons in China, 1.02 million tons or 11.00% more than in 2016/17. Although it had entered into the cycle of production growth, yet it was still 3 million tons behind the 13.32 million tons production in the record campaign of 2013/2014. 2018/19 shall still be in the growing cycle, but the growth rate should not be big, production shall be around 10.60 million tons. Driving force for the growth shall be from the considerable enlargement of production capacity of beet sugar in Inner Mongolia. Beet sugar is recovering its status in China's sugar industry, and the sugar supply pattern in China is going through changes silently.

Import: the total sugar import in 2017/18 campaign hit 2.43 million tons, 6.16% higher over the 2.29 million tons in 2016/17, import was brought under effective control thanks to multiple control measures. Sugar import guarantee measures came to its anniversary on 22nd May, 2018, after that the tariff on import outside the quota dropped from 95% to 90%. Meanwhile the Ministry of Commerce abolished the list of guarantee measures non-applicable countries, i.e, from August 2018 till the end of implementation of the guarantee measures, higher tariff on import outside the quota shall be applied to all countries, therefore again there shall be changes to the origins of import, changes were seen already during the first year of the implementation of the guarantee measures.

Entering into 2017/18, domestic sugar price sustained the downward trend due to the drop of international price, unpreventable smuggling, sluggish consumption and sugar substitutes. The average price in Guangxi fell from 6,600 yuan/ton in the beginning of the campaign to 5,100 yuan/ton by the end of the campaign, again lower than the production cost. The whole industry may see a deficit once more. From the perspective of the current profit margin of domestic companies and the domestic market, the goal of revitalizing the domestic sugar market and to improve domestic sugar competitiveness has not been materialized. Will the Government continue to strengthen policy support to the sugar industry?

To address the above issues, this Report shall summarize and comb China's sugar industry

in 2017/18 campaign with emphasis on discussing the following aspects:

- (1) What shall be the sugar supply and demand situation at the international market and what shall be the price trend? How does it affect the sugar market in China?
- (2) How shall be China's policy on the sugar industry? When direct subsidy to sugar crops and trade policies come into being and will there be changes?
- (3) What is the development direction of sugar crops farming in the new campaign? How is the growth potential of beet sugar?
- (4) How shall sugar import change under upgraded guarantee measures? Will the pattern of import origins change at this time? Will smuggling continue to impact domestic supply while there is strict combat against it.
- (5) After many years, will the Government once again collect for its reserve when sugar price is sluggish?
- (6) How shall sugar consumption change in China while the growth of the food industry slows?
- (7) How shall starch sugar and other sweeteners replace sugar?
- (8) How is the progress of the consolidation and restructuring of domestic sugar industry? How shall be the competition pattern in the future?
- (9) What is the status of investment in China's sugar industry, investment potential and risk?

Centering on the above issues, from the current situation of the industrial policy, farming of sugar crops, production, consumption, trade and overall operation of China's sugar industry and by combining systematic analyzing and combing the international sugar supply and demand situation. This report concludes and anticipates the trend and investment opportunities of China's sugar industry, try to be as objective and accurate, and provides reference for decision-making for those insiders that pay attention to China's sugar industry.

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