

 **Chapters (Price update, market dynamics) of
Sweetener Newsletter 202111**

VOL.11 Issue 11, November, 30, 2021



Copyright © Kcomber Inc.

Contents

Market Dynamics	3
BLB, Bailong Chuangyuan and Layn release Q3 report	3
China sugar industry analysis.....	4
Progresses of EPPEN Biotech's 20,000 t/a food-grade erythritol project and other firms' projects.....	5
Food Reduction Summit 2021—sweeteners market insights and trends	6
Price Update	8
Ex-works prices of sweeteners in China, Nov. 2021	8
Significant price markups in starch sugar products.....	8

Market Dynamics

BLB, Bailong Chuangyuan and Layn release Q3 report

Summary: Late Oct., major domestic sweetener producers BLB, Bailong Chuangyuan and Layn released their Q3 reports. All announced big jumps in revenue and net profit along with the booming sweetener market. BLB, in particular, claimed over 800% growth in net profit in Q3 since its functional sugars are in great demand.

Baolingbao Biology Co., Ltd. (BLB) disclosed a performance forecast on 13 Oct. and released the Q3 report on 27 Oct.

- In Q3, it achieved revenue of USD127 million (RMB815.25 million), up 55.00% YoY; the profit attributable to shareholders of the listed company reached USD14.92 million (RMB95.78 million), soaring by 831.96% YoY.
- In Q1–Q3, the revenue totalled USD323.52 million (RMB2.08 billion), up 34.64% YoY; the profit attributable to shareholders of the listed company was USD24.98 million (RMB160.33 million), jumping by 198.72% YoY.

Strong downstream demand for functional sugars led to BLB's rocketing revenue and net profit. Production and sales of its main products like prebiotics and dietary fibre have been thriving. Supply of erythritol products has lagged behind market demand. In Q3, it had 13,000 t/a erythritol production lines put to use, which further brought up its sales. The company has its profitability greatly lifted in 2021 as it has grasped the trend of development, extended down the industrial chain, raised product quality and delivery performance, and seized the opportunity in the market to bring home great gains. The financial results are historic and above expectation, which lays a solid foundation for realisation of whole-year targets in advance.

Also on 27 Oct., Shandong Bailong Chuangyuan Bio-Tech Co., Ltd. (Bailong Chuangyuan) released its Q3 report, which says:

- In Q3, it achieved revenue of USD25.82 million (RMB165.71 million), up 30.28% YoY; the profit attributable to shareholders of the listed company was USD3.62 million (RMB23.26 million), up 9.15% YoY.
- In Q1–Q3, the revenue totalled USD73.56 million (RMB472.18 million), up 28.63% YoY; the profit attributable to shareholders of the listed company was USD11.69 million (RMB75.04 million), edging up by 4.31 % YoY.

Expanding sales contributed to the YoY growth in Q3, as demand from both home and abroad went up. So far in 2021, the company enjoyed big jumps in sales of dietary fibre products and healthy sweeteners, up by 63.68% and 490.45% YoY respectively.

Table 1 Revenue of Bailong Chuangyuan from main products, Q1–Q3 2021 vs. Q1–Q3 2020, million USD

Product	Q1–Q3 2021	Q1–Q3 2020	YOY
Prebiotics	27.85	29.97	-7.08%
Dietary fibre	33.32	20.36	63.68%
Healthy sweetener	8.23	1.39	-33.30%
Other starchy sugar/alcohol	3.02	4.53	490.45%

Source: Shandong Bailong Chuangyuan Bio-Tech Co., Ltd. & CCM

On 29 Oct., Guilin Layn Natural Ingredients Corp. (Layn) published its Q3 report.

- In Q3, it achieved revenue of USD40.41 million (RMB259.39 million), up 59.19% YoY; the profit attributable to shareholders of the listed company reached USD4.36 million (RMB27.97 million), jumping by 128.97% YoY.
- In Q1–Q3, the revenue totalled USD110.96 million (RMB712.25 million), up 60.56% YoY; the profit attributable to shareholders of the listed company reached USD13.65 million (RMB87.60 million), up 32.61% YoY.

As to the large YoY growth in revenue achieved in Q1–Q3, credit should be given to the booming plant extract business, natural sweetener business in particular. Layn's revenue from plant extract jumped by 76.70% YoY to USD107.66 million (RMB691.12 million) in the first three quarters, of which the revenue from natural sweetener went up by 55.08% to USD65.11 million (RMB417.97 million).

Driven by sugar-free pursuit and consumption upgrading, this sector has experienced high-speed development. And Layn, seized the chance, had its market share enlarged.

China sugar industry analysis

Summary: Since Sept., cane sugar plants in Inner Mongolia and Xinjiang Uygur Autonomous Region have started extracting sugar leading the country into the sugar campaign 2021/2022—estimate of the national sugar sales for this period is slightly lower than that in the last season.

On 20 Sept., Hulun Buir Shengtong Sugar Technology Co., Ltd. (Shengtong Sugar) took the initiative and started sugar manufacturing, signifying the start of sugar campaign 2021/2022. By the end of Oct., 29 beet sugar plants in Inner Mongolia and Xinjiang Uygur Autonomous Region embarked on operations. On the other hand, the new 2021/22 cane crushing season kicked start led by Mengpeng Sugar Plant of Yunnan Xishuangbanna Yinmore Sugar Industry Co., Ltd. (Yinmore Sugar) As of end of Oct., sugar production totalled 292,000 tonnes in this season, a drop of 141,000 tonnes and sales volume was 47,000 tonnes, a decline of 103,000 tonnes.

On 1 Nov., the 2021/22 Crushing Season National Sugar Production and Marketing Conference was held in Guangzhou. Yan Weimin, General Director of China Sugar Industry Association delivered the conference summary pointing out the supply-demand gap will persist over the 2021/22 season and projecting that sugar production will stand at 10.50 million tonnes and sales volume will go down slightly. It is reported that the last crushing season gathered 10.67 million tonnes of sugar nationwide while since this Oct., disrupted by the La Nina phenomenon which brought up extreme weather like rainstorm and snowstorm, the fields of beets for sugar production were seriously damaged—In Inner Mongolia and Xinjiang, beets yield may shrink compared with the amount over last harvest period. Under this context, the total sugar production in 2021/22 will fall with a great probability.

Table 1 Indicators of sugar crops in 2021 and estimates of sugar production in 2021/22

Province	Sugar crop-growing area, 2021, ha	Estimates of sugar production, 2021/22	
		Sales of Sugar crop, million tonnes	Sugar production, million tonnes
National total	1,259,340	81.99	10.50
Cane sugar production	1,115,339	73.89	9.45
Guangdong	78,667	5.78	0.56
Zhejiang, Guangdong	71,334	5.13	0.49
Guangxi	733,337	50.00	6.50
Yunnan	284,668	17.15	2.26
Hainan	18,000	0.90	0.12
Others	667	0.06	0.01
Beet sugar production	144,001	8.10	1.05
Inner Mongolia	86,667	4.00	0.52
Xinjiang	52,000	3.82	0.49
Heilongjiang	2,667	0.08	0.01
Others	2,667	0.20	0.03

Source: China Sugar Industry Association

Sugar productions by province

- Yunnan Province:

In 2020/21 sugar production, Yunnan's sales of sugar has reached 2.06 million tonnes as of 29 Oct. with sales-output ratio hitting 93.12%; industrial stocks were 152,300 tonnes. On 23 Oct., Yinmore Sugar was the first sugar manufacturer in China in 2021/2022 cane sugar season.

- Hainan Province

In 2020/21 sugar production, as of 31 Oct., sugar sales in Hainan Province were 69,800 tonnes with sales-output ratio of 79.59%; ex-works price including VAT ranged around USD792/t (RMB5,086/t)–USD937/t (RMB6,012/t); industrial stocks were 17,900 tonnes.

In Oct., two typhoons stoke Hainan and beat down most cane crops. In response, farmers took immediate steps to remedy the major cane-growing area aided by the local government and other sugar corporates such as Guangxi Yangpu Nanhua Sugar Industry Group Co., Ltd. (Nanhua Sugar Group)—under joint efforts, cane output may recover approximately to 900,000 tonnes in 2021/22 sugar production.

- Inner Mongolia

On 20 Sept., Shengtong Sugar was the first sugar production plant that entered operation in 2021/22. By 27 Oct., 12 sugar plants in Inner Mongolia joined the production activity. At the end of Oct., the region marked 190,000 tonnes of sugar production and 40,000 tonnes of sales with sales-output ratio of 21.05%; industrial stocks arrived at 150,000 tonnes in 2021/22 sugar production.

- Guangxi Province

In 6 Nov.–7 Nov., Guangxi Sugar Industry Group Daxin Sugar Co., Ltd. and Guangxi Sugar Industry Group Liaoping Sugar Co., Ltd. held a furnace lighting ceremony as a starter for the local 2021/2022 crushing season. More followed as well. The rest plants are tidying up some loose ends of equipment overhaul and technological upgrading and preparations for entering operation. In late Nov., a wider range of operation will be seen.

On demand side, domestic market still shows great interests in white granulated sugar exports.

- According to China Customs, in Jan.–Sept., China's sugar imports grew up by 38.6% YoY to 3,835,000 tonnes composed of 1,960,000 tonnes of general trade, 150,000 tonnes of processing trade, 5,000 tonnes of assembling trade, 1,647,000 tonnes of inbound and outbound goods in bonded supervision premises and 73,000 tonnes of goods in bonded logistics centre.
- China's sugar exports amounted to 94,000 tonnes—7,700 tonnes of general trade, 7,000 tonnes of processing trade, 25,300 tonnes of assembling trade, 53,800 tonnes of goods in bonded logistics centre, and 200 tonnes for other purposes.

On supply side, in Oct., Chinese sugar companies including COFCO Sugar Holding Co., Ltd. (COFCO Sugar) and Nanning Sugar Industry Co., Ltd. (Nanning Sugar), have successively disclosed their business data in Q1–Q3.

- COFCO Sugar
 - Revenue: USD2.81 billion (RMB18.03 billion), up by 26.02% YoY
 - Net profit attributable to the shareholders of the listed company: USD117.04 million (RMB751.33 million), down by 0.83% YoY
- Nanning Sugar
 - Revenue: USD375.29 million (RMB2.41 billion), down by 25.92% YoY
 - Net profit attributable to the shareholders of the listed company: USD1.59 million (RMB10.20 million), down by 75.47% YoY

In particular, Nanning Sugar's major business—machine processed sugar—has met a downswing in terms of sugar yield rate, production, selling price compared with the figures last year. However, it is largely related to its increased supports in cane-growing area which has stepped up its cost of sugar production and pull down its gross margins in this sector.

Progresses of EPPEN Biotech's 20,000 t/a food-grade erythritol project and other firms' projects

Summary: In Nov., the EIA statement of EPPEN Biotech's 20,000 t/a food-grade erythritol project was accepted and publicised and other new erythritol projects of other firms are advancing as schedule.

On 19 Nov., the environmental impact assessment (EIA) statement of Ningxia EPPEN Biotech Co., Ltd. (EPPEN Biotech)'s 20,000 t/a food-grade erythritol project was accepted and publicised by local authority in Yongning County, Ningxia Hui Autonomous Region. This project was registered earlier on 2 Sept.

Project overview

- Construction nature: Technological transformation
- Location: The established plant, Area B of EPPEN Biotech, Yanghe Town, Yongning County, Yinchuan City, Ningxia Hui Autonomous Region
- Floor area: 13,857 m²

- Total investment: USD22.45 million (RMB141.12 million) including USD0.32 million (RMB2.07 million) for environment protection project
- Construction content: Technological transformation of the original 80,000 t/a lysine production line to food-grade erythritol production line; new equipment such as nanofiltration (NF) membrane, ion exchange (IX) system, multi-effect evaporator, chiller unit
- Working system: 82 current employees working in three shifts per day for 330 days per year
- Scheduled capacity: 20,000 t/a of erythritol

Table 1 Annual consumption estimates of main and raw materials

No.	Name	Consumption, t/a	Remark
1	35% Sugar solution	25,509	Pure
2	70% Sugar solution	19,998	-
3	Yeast extract powder	693	-
4	Potassium dihydrogen phosphate	66	-
5	Citric acid	957	-
6	Magnesium sulfate	132	-
7	Liquid ammonia	660	-
8	Defoaming agent	231	-
9	Activated carbon	363	90% Dry
10	Sodium Hypochlorite (NaClO)	231	10%
11	Sodium hydroxide (NaOH)	561	-
12	Hydrochloric acid (HCl)	264	-

Source: EPPEN Biotech

EPPEN Biotech plans to establish erythritol production based on its production lines in lysine production workshop that were producing 80,000 t/a of lysine previously before being shut down. Once the project construction completes, the company plans to use self-produced glucose as main materials and adopt anaerobic fermentation process, traditional membrane separation method, and combination process with evaporative crystallization and centrifugal separation to produce 20,000 t/a of erythritol. The project will operate in the production scale of no higher than the original one (80,000 t/a of lysine) and will not generate new pollution.

Founded in 1999 with a registered capital of USD76.56 million (RMB491.52 million), EPPEN Biotech manufactures a wide variety of amino acids (monosodium glutamate (MSG), lysine, threonine, tryptophan, valine, etc.).

Meanwhile, other manufacturers have carried out their erythritol production projects.

- On 28 Oct., Shandong Food Ferment Industry Research & Design Institute posted on its office website that Anhui BBCA Likang Pharmaceutical Co., Ltd. (BBCA Likang) received a successful trial run of its 20,000 t/a erythritol project which was supported by the "Production Technique of Erythritol via Fermentation Method" developed by the Food Ferment Industry Institute.
- On 11 Nov., the EIA report of the erythritol project of Shandong Qiantai Biotechnology Co., Ltd. was accepted and publicised by the Ecology and Environment Bureau of Jinan City. This project plans to set up a 500 t/a erythritol production line and the constructions will take up a total area of 2369.06 m².
- On 15 Nov., Zhejiang Huakang Pharmaceutical Co., Ltd. released the Investor Relations Activity Record Sheet indicating its 30,000 t/a high purity erythritol project is under construction and will enter production by May 2022.

Food Reduction Summit 2021—sweeteners market insights and trends

Summary: In Oct., the Food Reduction Summit 2021 and annual meeting of sweetener expert commission and functional sugar expert commission were launched. Sweeteners market insights and trends were given during the period.

In 20 Oct.–22 Oct., 2021, the Food Reduction Summit 2021 and annual meeting of sweetener expert commission and functional sugar expert commission were held on Zhejiang Province. Several areas were discussed including the much-talked-about topic "sugar reduction", the developmental issues,

opportunities and trends of sweeteners market, as well as the production, application and market layout of functional sugar and the related laws and regulations.

Notably, China Food Additives and Ingredients Association (CFAA) summarised the common market problems and provided directions for the sweetener companies.

- Make cautious projection on sugar-free product market potentials and avoid targetless expansion.
- Upgrade and transform production lines in response to the implementing "power rationing and production restriction" policy.
- China has been prioritising the power rationing and production restriction, for starters, to meet its annual target on reducing gross energy consumption, and especially energy intensity (also known as China's "Dual Control" policy) — currently, the first- and second-grade pre-warned provinces and cities (China has launched a "pre-warning" system to list out the regions that have failed to curb their energy use, including Qinghai, Ningxia, Guangxi, etc.), have been speeding up works on power rationing and production restriction in all respect.
- For another, this policy helps phase out the outdated production facilities and accelerate the promotion of industrial structure. It is noteworthy that now as global trading highly depends on Chinese imports and exports, domestic companies can take initiative and raise the trading price in preventing out-of-order production expansion.
- Production restriction is also China's strategic move to ward off post-pandemic currency inflation at home and stay resilient against high inflations in other countries. Accordingly, high-energy consumers should level up their production techniques to cut energy use and to shield from the impacts on their productions from the "Dual Control" which may become another "New Normal".

CCM data suggests that the "sugar reduction" hype has made erythritol in short supply over the first three quarters this year. By now, there are over 15 new erythritol production projects are either in planning or under construction. On top of that, Chinese and overseas markets have been looking for more desugared versions such as sucralose, acesulfame-K, aspartame, stevioside.

In recent weeks, Chinese major listed sweetener manufacturers reported significant growths in sales and net profits in Q1-Q3 in their financial reports including Baolingbao Biology Co., Ltd. (BLB) who took great advantages in this demand spike for erythritol and achieved a net profit far above others in the same range in the first three quarters, growing by approximate 200% YoY.

Whereas in Q3, increasing number of erythritol projects had finished building construction and put into production. Consequently, price rolled back to the historical level and stood at USD2,786/t in Oct. The summit projected that once the currently-constructing projects start to run, the industry may meet intensified market competition including price competition and less profitability in erythritol products.

Additionally, the wide implementation of the "Dual Control" and "power rationing and production restriction" since Sept. posted impacts on domestic sweeteners manufacturers to different extent. Multiple provinces suffered price surges in steam and raw materials giving rise to increased costs and supply tension, and price rises in a portion of sweetener products. The Oct. data shows that ex-works price of sucralose was up by 33.5% MoM, acesulfame-K up by 6.8% MoM, crystalline sorbitol up by 6.5% MoM and crystalline xylitol up by 4.3% MoM.

Price Update

Ex-works prices of sweeteners in China, Nov. 2021

Table 1 Ex-works prices of sweeteners in China, Nov. 2021

No.	Product	Price in Nov. 2021, USD/t	Price in Oct. 2021, USD/t	Sweetness compared with sucrose	Price of unit sweetness in Nov. 2021, USD/t	MoM change of price in Nov. 2021
1	Saccharin	8,412	8,049	300	28	4.51%
2	Steviol glycosides (RA95)	77,891	71,203	450	173	9.39%
3	Sucralose	70,414	59,612	600	117	18.12%
4	Acesulfame-K	7,478	7,430	200	37	0.64%
5	Aspartame	15,890	15,015	200	79	5.83%
6	Cyclamate (NF13)	2,570	2,554	30	86	0.64%
7	Glycyrrhizin (tripotassium glycyrrhizinate)	14,799	14,395	150	99	2.81%
8	Neotame (98%)	56,082	54,486	8,000	7	2.93%
9	Sugar	894	870	1	894	2.85%
10	Erythritol	2,960	2,786	0.65	4,554	6.23%
11	Mannitol (food grade)	3,895	3,560	0.7	5,564	9.39%
12	FOS (fructo oligosaccharide, powder 95%)	5,608	5,418	0.3	18,694	3.52%
13	XOS (xylo oligosaccharide, powder 95%)	31,624	31,113	0.4	79,060	1.64%
14	Crystalline maltitol	2,648	2,322	0.35	7,567	14.06%
15	Crystalline sorbitol	1,355	1,300	0.5	2,711	4.24%
16	Maltose syrup (75%, liquid)	530	511	0.9	589	3.69%
17	Sorbitol (70%, liquid)	654	588	0.7	935	11.24%
18	HFCS (fructose: 55%, liquid)	569	542	1	569	4.96%
19	HFCS (fructose: 42%, liquid)	537	511	1.1	489	5.22%
20	Maltitol (75%, liquid)	732	697	0.9	814	5.11%
21	Glucose monohydrate	701	650	0.74	947	7.83%
22	Crystalline xylitol	4,050	3,870	1.2	3,375	4.67%

Source: CCM

Significant price markups in starch sugar products

Summary: In Nov., the prices of starch sugar products went up at different levels with the support of the increased price of corn. In the short run, starch sugar price will continue its advance with costly raw material on hand.

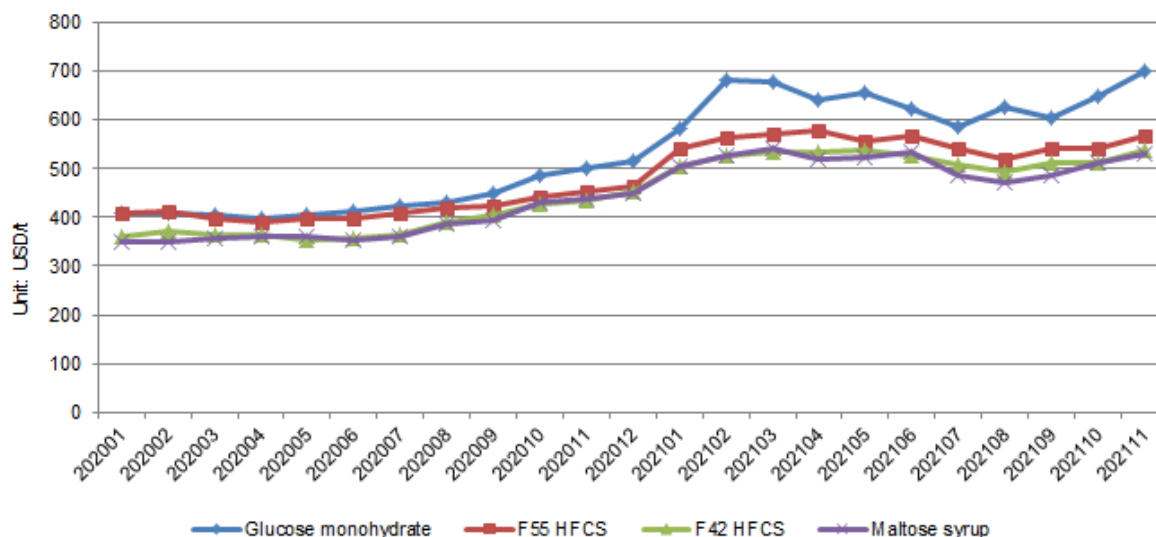
In Nov., ex-works prices of starch sugar products were on the rise in general. Ex-works prices of selective products are as follows:

- Maltose syrup: USD529.66/t, up by 3.69% MoM and up by 20.39% YoY
- Glucose monohydrate: USD701.02/t, down by 7.83% but up by 40.31% YoY
- F42 HFCS (high fructose corn syrup): USD537.45/t, up by 5.22% MoM and up by 23.20% YoY
- F55 HFCS: USD568.61/t, up by 4.96% MoM and up by 26.03% YoY

Factors subjected to the overall rise come down to two aspects:

- The ascending in prices of corn and other raw materials of starch sugar produces resulted in increasing cost in enterprise production.
- Tight market stayed as product supplies from big part of manufacturers could not meet the demand.

Figure 1 Ex-works prices of starch sugar products in China, Jan. 2020–Nov. 2021, USD/t



Source: CCM

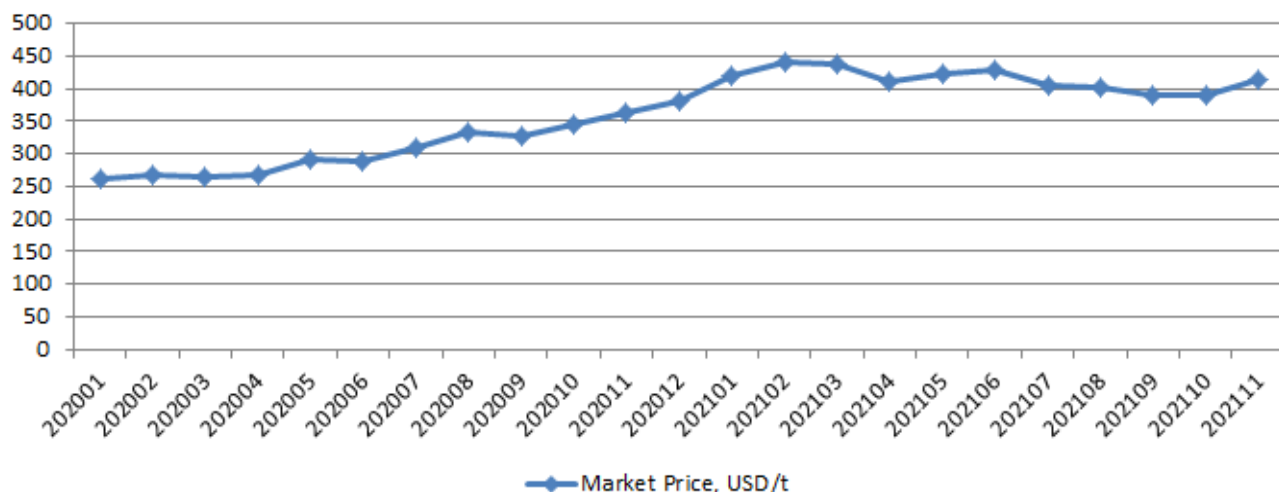
On raw material front, corn price made a strong comeback supporting the high-level starch sugar prices this month—Nov. registered corn priced at USD414.28/t, up by 6.50% MoM and up by 14.31% YoY.

Major factors accounting for the price rise are as follows:

- Tight supply and increased cost:
- Increasing demand:
 - ✧ Deep-processing market demand for cone rose in all. Factory operating rate in the lower reaches has improved and corn deep-processing enterprises were making more purchase of corn.
 - ✧ On the feed side, pig market comes good in most recently and brought in more orders on corn feed.
 - ✧ Meanwhile, price difference between corn and wheat has narrowed. The weakening price advantage of other grain substitutes for corn feed and the upgraded expectation of consumption of corn feed together drove up the corn price.

In the near future, China will continue to see a strong growth in corn price underpinned by high cost and demand. However, once the corn-growing area takes in a stable sunny weather, corn trading activities will rally up with replenished market inventory of new season corn and corn price will retreat as a result. Specifically, in the following one or two months, market is deemed to run with a high corn price.

Figure 2 Monthly average price of corn, Jan. 2020–Nov. 2021



Source: CCM

Regarding to supply-demand side, starch sugar manufacturers were incentivised by the profitable market and have resumed their businesses gradually from the production limit or suspension in Sept. as required by the national policy on power and production restrictions - more orders have been taken and production lines of all kinds have returned to operation at a modest pace. At present, market is facing supply shortage where manufacturers are facing less sales and heavy-stock pressures.

CCM concludes that in the short run, the price uptrend will still play out in starch sugar market.

- Alone with the low inventory standing amid the downstream end and traders, Chinese demand for starch sugar will only get bigger because companies will be ready for restocking with the approaching Chinese Spring Festival.
- On the other hand, corn price varies in a high range making a markdown of starch sugar price less available but another high.

Journalist: Minyun Chen
Editor: Fengyi Yan
Chief Editor: Xiaodong Qu
Publisher: Kcomber Inc.

Kcomber's legal disclaimers

1. Kcomber guarantees that the information in the report is accurate and reliable to the best of its knowledge and experience. Kcomber defines the report as a consulting product providing information and does not guarantee its information is completely in accordance with the fact. Kcomber shall not have any obligations to assume any possible damage or consequences caused by subscribers' any corporate decisions based upon subscribers' own understanding and utilization of the report.
2. The complete copyright of the report is and will be held by Kcomber. Subscribers shall not acquire, or be deemed to acquire the copyright of the report.
3. The report provided by Kcomber shall be only used as source of subscriber's internal business decisions and shall not be used for any other purposes without Kcomber's prior written consent, unless stated and approved in license contract signed by both parties. Subscribers shall not distribute, resell and disclose the whole report or any part of the report to third parties and shall not publish any article or report by largely or directly copying or citing the information or data based on Kcomber's report without the prior written consent of Kcomber.
4. "Single User License" means that there shall be only ONE person to receive, access and utilize the report. Subscriber can present the content of the report that marked the source from Kcomber to their internal colleagues for their internal communication and utilization, but cannot share the whole report to other individuals. Any citation, distribution, reselling and disclosure of the report as well as its partial content to any third party are prohibited, including but not limited to their parent companies or subsidiaries.
5. "Corporate License" means that subscriber shall not cite, distribute, resell the report or disclose information of the report to any third party without Kcomber's prior written consent, except subscribers' affiliates controlled with ownership of more than 50% of shares.

Kcomber Inc.

Any publication, distribution or copying of the content in this report is prohibited.

17th Floor, Huihua Commercial & Trade Building, No.80 XianlieZhong Road Guangzhou, 510070, P.R. China

Tel: [+86-20-37616606](tel:+86-20-37616606)

Fax: +86-20-37616768

E-mail: econtact@cnchemicals.com

Website: www.cnchemicals.com