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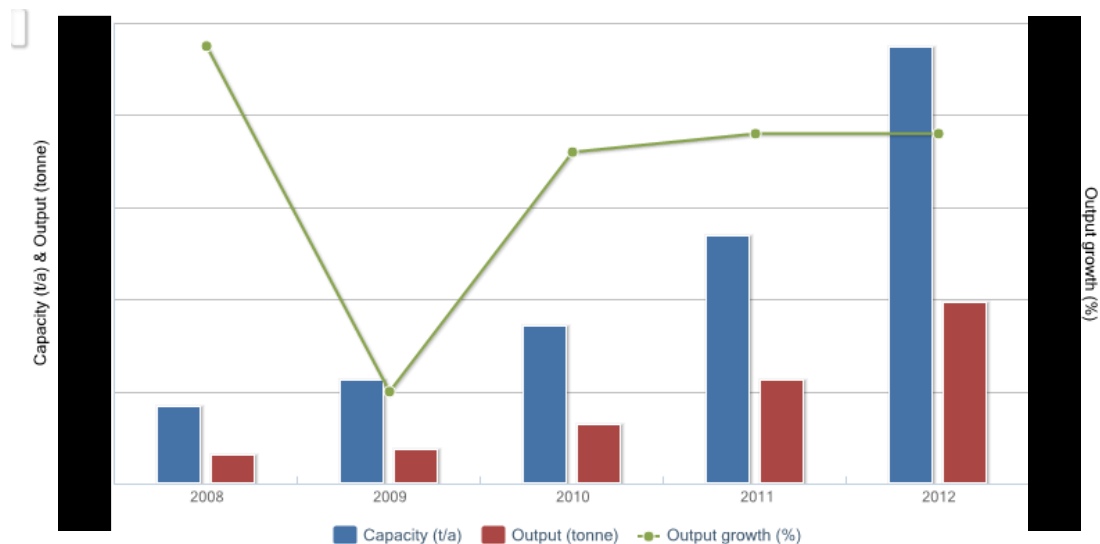
2.2.1 Production situation of sucralose in China

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China has become one of the major sucralose producing countries in the world in recent years with a rapid increase in both capacity and output. In fact, the overseas demand has increased rapidly since 2009 because some Chinese sucralose producers won the 337 patent investigation in April 2009. As a result, Chinese sucralose producers started to expand their production of sucralose rapidly. In addition, along with the increasing awareness of sucralose in the domestic market, domestic food and beverage producers started to add sucralose to their product formula due to its flavor, close to the sucrose used in the past years. That also drove up the output of sucralose.

It's worth noting that the sucralose industry's productivity has been restricted by the power rationing and stricter environmental policies despite the expansion of sucralose capacity and output. In this context, domestic sucralose was in short supply from June to July 2012 due to the continuously improving demand.

Figure 2.2.1-1 Sucralose production in China, 2008-2012



Source: CCM

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2.3 Raw material supply

According to CCM's investigation, most of Chinese producers adopt a chemical pathway to

produce sucralose. Though the reaction's conditions, catalysts, chlorinating agents, other auxiliary raw materials, etc are different depending on producers' process, there are three major raw materials adopted in any chemical process for the sucralose production, namely sucrose (cane sugar), methanol and N,N-dimethylformamide (DMF). Chlorine is an indirect raw material for all sucralose production pathways. Thus, the supply of these four major raw materials has a certain influence on the production cost of the sucralose. With a large output and a relatively small consumption volume for sucralose production, the supply of them for sucralose production is sufficient. Therefore, the price change of these four raw materials is the major factor influencing the sucralose's production cost.

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2.4.2 Production cost

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Table 2.4.2-3 Total cost structure of sucralose production, March 2013

No.	Item	Cost, USD/t
1	Manufacturing cost	■
2	Sales and management cost	■
Total production cost		■

Source: CCM

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3.2 Overview of sucralose consumption, 2012

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Table 3.2-1 Major consumption fields of sucralose in China, 2012

Consumption field		Sucralose consumption, tonne	Share
Beverage	Liquid milk and milk beverage	■	■
	Carbonated beverage	■	■
	Juice beverage	■	■
	Functional beverage	■	■
	Other beverage	■	■
Food	Seasoning	■	■
	Gum and candy	■	■
	Other food	■	■
Pharmaceuticals		■	■
Others		■	■
Total		■	■

Source: CCM

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5.2 Forecast on sucralose supply and demand in China in 2013-2017

It is estimated that the output of sucralose will increase rapidly in China in the next five years. Specifically, the output of sucralose will witness a CAGR of about ■■■% during 2013-2014 thanks to larger market share seized by domestic producers from foreign producers and the increasing demand. However, the CAGR of the output will drop to about ■■■% during 2015-2017 since the only remaining driving factor may be the increasing demand.

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6.1 SWOT analysis of China's sucralose industry

Compared with other kinds of HIS, the sucralose industry in China is still new both in awareness and consumption. In the domestic sucralose market, along with the development of the domestic food and beverage industry and the decreasing price of sucralose, the domestic consumption of sucralose has been growing fast in the past few years and the potential market is regarded as promising in China, as the domestic consumption is expected to witness a stable growth in the next five years. Despite the current small domestic consumption in 2012, China's sucralose industry enjoys a large overseas market share mainly due to an excellent quality product, a relatively low price and wide marketing channels.

A clear picture of the Chinese sucralose industry's future prospect can be presented by analyzing its the strengths, weaknesses, opportunities and threats.

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