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Report Name: Sugar Annual

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Post: Pretoria

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Report Highlights:

Post forecasts sugar cane production in Eswatini will increase by 1.5 percent to 5.6 million MT in MY 2023/24, based on increased available irrigation water, expanded planted area, and a return to trend yields. Post forecasts sugar production will increase by 4 percent, to 652,057 MT in MY 2023/24, based on an expected rebound in the volume of sugar cane deliveries to mills and improvement in the recovery rate. Post expects Eswatini will fully utilize its allocated U.S. tariff rate quota in MYs 2023/24 and 2022/23.

MT = Metric Tons

MY = Marketing Year (April to March for sugar cane and May to April for sugar)

\$1 = 18.08 Eswatini lilangeni (SZL) as of April 13, 2023

Background

Sugar cane in Eswatini (formerly Swaziland) is grown in the lowveld under irrigation, as shown in the areas highlighted with green in **Figure 1**. Lowveld is the name given to areas that lie at an elevation of between 500-2,000 feet (150-600 meters) above sea level. There are four categories of growers; sugar estates owned by the sugar mills, large-scale growers, medium-size growers, **and** smallholder growers. There is no industry-agreed definition of growers in Eswatini, however, growers are generally classified by the size of their farms. Smallholder growers typically cultivate **less** than 50 hectares, medium-size growers have farms that are between 50-1,000 hectares, and large-scale growers produce on farms greater than 1,000 hectares. Miller-owned estates contribute the largest share of Eswatini's sugar cane production (50 percent), followed by smallholder growers (29 percent), large-scale growers (14 percent), and medium-size growers (7 percent).

The main stakeholders and structure of the Eswatini sugar industry are presented in **Figure 2**. The Eswatini Sugar Association (ESA) is the highest decision-making authority on common issues for sugar cane growers and sugar millers. ESA provides support services to the entire industry's value chain, which includes marketing of all sugar and molasses, agricultural research and extension, cane testing, warehousing and distribution, and policy advocacy. The Eswatini Cane Growers Association represents the interest of all growers (Mhlume, Simunye and Big Bend planters' groups) excluding miller-owned estates.

There are three sugar mills in Eswatini owned two companies: The Royal Eswatini Sugar Corporation Ltd (Mhlume and Simunye mills) and Ubombo Sugar Limited (Ubombo mill), as presented in **Figure 2**. South African-based RCL Sugar Company co-owns the Royal Eswatini Sugar Corporation, while Illovo Sugar owns Ubombo. These mills are members of the Eswatini Millers Association.

Sugar Cane:

Production

Post forecasts area under sugar cane production in Eswatini will increase minimally by 0.2 percent from 60,622 hectares (ha) in the 2022/23 MY to 60,800 ha in the 2023/24 MY. Growth in area largely due to producers who previously diversified to macadamia returning to sugar cane production. Industry sources indicate that farmers are slowly moving back to the production of sugar cane due to the industry being well-established along with well-coordinated marketing services provided by the Eswatini Sugar Association. The estimate for area harvested is revised down to 57,393 ha in MY 2022/23, from the previously forecasted 61,000 ha, due to late season heavy rains that left fields waterlogged and made it difficult for producers to harvest at all in some areas due to the soggy conditions. Post expects area harvested to rebound from the 2022/23 MY based on a return to normal weather patterns and a timely harvesting schedule.

Post forecasts sugar cane production in Eswatini will increase by 1.5 percent to 5.6 million MT in MY 2023/24, up from 5.5 million MT in MY 2022/23. This is based on increased available irrigation water due to substantial rainfall in MY 2022/23, expanded planted area, and a return to trend yields. MY 2023/24 is forecast to be a recovery period for Eswatini sugar cane production. The 2022/23 season was affected by late season heavy rains that pushed harvesting into February 2023, well past the normal end of harvest in November. Sucrose content diminishes the longer cane stays on the field past its peak harvest window. Therefore, cane delivered to the mills in the final stretch of the MY 2022/23 harvest was lower quality with diminished sucrose content that affected overall recovery rates for the season.

Table 1 shows the production of sugar cane and cane yields in Eswatini since the 2013/14 MY. The low yields in the 2016/17 and 2017/18 MYs were due to drought.

In MY 2022/23, producers also experienced an increased prevalence of yellow leaf aphids, which diminished cane quality. Industry sources indicate that increased prevalence of the pest is largely due to climate change, which has brought warmer temperatures and greater moisture levels. Another factor hampering cane yield is the cost of fertilizer, which industry sources said is up by about 200 percent due to supply chain problems since the start of Russia-Ukraine war. Given the high costs of fertilizer, it is likely that producers will use less than ideal amounts in MY 2023/24, which could limit sugarcane yields in some areas. However, on average yield are expected to remain relatively static.

Producers faced an increase in electricity costs in MY 2022/23 that increased the cost of production and hampered profit margins as electricity is one of the major production costs for growers given that all sugar cane in Eswatini is produced under irrigation (even though producers do not currently have to pay for water). Electricity is the second largest production costs for small growers (24 percent) after harvesting costs (34 percent). Eswatini relies on South Africa for about 80 percent of its electricity supply, but South Africa is currently experiencing significant power generation and supply challenges that could affect the Eswatini sugar industry by pushing production costs even higher, as well as the growers' fears of a total collapse of the grid. (For more information, see Post's GAIN report on South Africa's load shedding: [Load Shedding and the Economic Strain on the Food Supply Chain](#).) Currently, scheduled power outages in South Africa do not affect Eswatini due to a contract term between the two

countries that prohibits a cut in supply to Eswatini as long as they make timely payments to Eskom, the South African state-owned power operator. However, the contract between the two countries will be up for renewal in 2025, which worries Eswatini’s sugar producers, as they fear that new contract terms could lead to the same kind of regular power outages seen in South Africa.

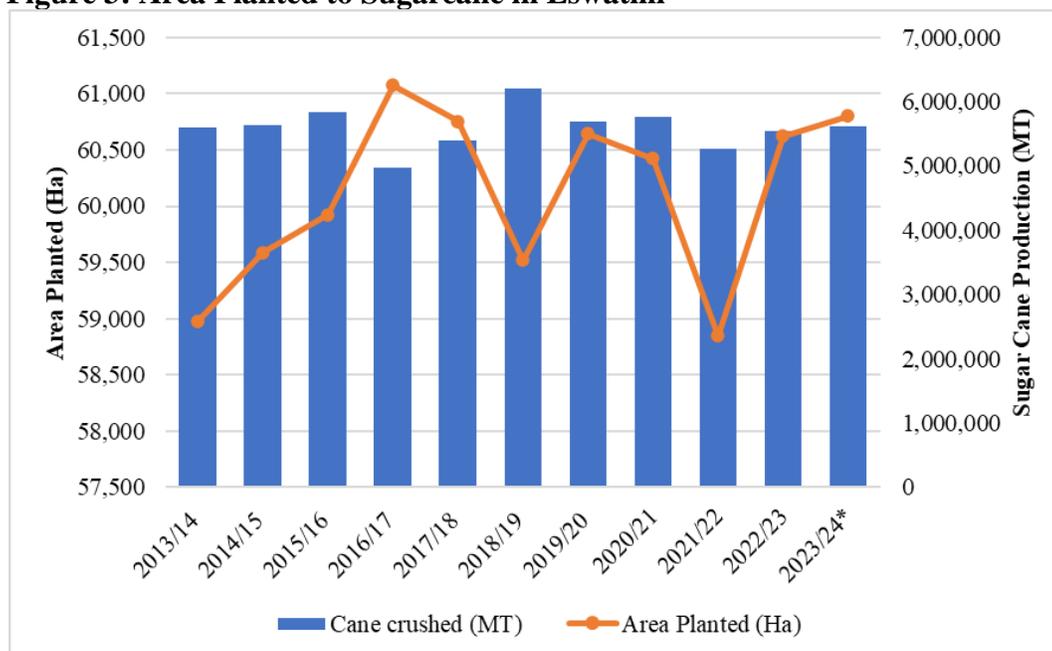
Table 1: Sugar Cane Production and Yields in Eswatini

| Marketing Year | Cane crushed (MT) | Area Planted (Ha) | Area harvested (Ha) | Cane Yield |
|----------------|-------------------|-------------------|---------------------|------------|
| | | | | (MT/Ha) |
| 2013/14 | 5,591,830 | 58,979 | 55,478 | 101 |
| 2014/15 | 5,639,193 | 59,586 | 56,438 | 100 |
| 2015/16 | 5,836,553 | 59,924 | 57,685 | 101 |
| 2016/17 | 4,973,571 | 61,073 | 55,557 | 90 |
| 2017/18 | 5,405,151 | 60,757 | 57,770 | 94 |
| 2018/19 | 6,197,753 | 59,520 | 57,397 | 108 |
| 2019/20 | 5,690,255 | 60,642 | 59,080 | 96 |
| 2020/21 | 5,759,016 | 60,424 | 58,523 | 98 |
| 2021/22 | 5,266,602 | 58,849 | 56,936 | 93 |
| 2022/23 | 5,539,396 | 60,622 | 57,393 | 97 |
| 2023/24* | 5,621,184 | 60,800 | 58,554 | 96 |

***Post Forecast**

Sources: Eswatini Sugar Association, Eswatini Cane Growers Association & Post Forecast

Figure 3: Area Planted to Sugarcane in Eswatini



***Post Forecast**

Source: Eswatini Sugar Association, Eswatini Cane growers Association, & Post Forecast

Table 2: Production, Supply, and Distribution (PS&D) for Sugar Cane

| Sugar Cane for Centrifugal Market Year Begins | 2021/2022 | | 2022/2023 | | 2023/2024 | |
|--|------------------|----------|------------------|----------|------------------|----------|
| | Apr 2021 | | Apr 2022 | | Apr 2024 | |
| Eswatini | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted (1000 HA) | 58 | 58 | 62 | 61 | 0 | 61 |
| Area Harvested (1000 HA) | 57 | 57 | 61 | 57 | 0 | 59 |
| Production (1000 MT) | 5266 | 5266 | 6000 | 5539 | 0 | 5621 |
| Total Supply (1000 MT) | 5266 | 5266 | 6000 | 5539 | 0 | 5621 |
| Utilization for Sugar (1000 MT) | 5266 | 5266 | 6000 | 5539 | 0 | 5621 |
| Utilization for Alcohol (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization (1000 MT) | 5266 | 5266 | 6000 | 5539 | 0 | 5621 |
| | | | | | | |
| (1000 HA) ,(1000 MT) | | | | | | |

Sugar:

Production

Post forecasts that sugar production will increase by 4 percent to 652,057 MT in the 2023/24 MY, up from 625,361 MT in the 2022/23 MY, based on an expected rebound in the volume of sugar cane deliveries to mills and improvement in the recovery rate.

The sugar recovery rate refers to the number of kilograms (kg) of sugar obtained from a metric ton of sugar cane, expressed as a percentage. **Table 3** shows that the sugar recovery rate is expected to slightly increase to 11.6 percent in the 2023/24 MY, from 11.3 percent in the 2022/23 MY based on an expectation of timely cane deliveries to mills in the coming season. In the 2022/23 MY, millers were affected by labor strike at one mill that temporarily halted operations (and diminished cane quality due to delayed deliveries and crushing at the mill), as well as late season heavy rains that waterlogged field and pushed the cane harvest into February, which is three months later than normal, reducing the overall recovery rate for the 2022/23 MY. The period for extracting maximum sugar content from cane runs from April to November, meaning that cane delivered after this period has lower sucrose content. The extended harvest period in MY 2022/23 also left millers with a shorter window (mid-February until end of March) to perform maintenance and prepare for the 2023/24 MY, which began in April 2023. This could affect the pace of milling in MY 2023/24 if mills face more frequent shut downs due to the need for equipment repairs.

Table 3: Sugar Production and Sugar Recovery Rates (Sugar/Cane Ratio)

| Marketing Year | Cane crushed (MT) | Sugar produced (MT) | Sugar/Cane Ratio (Percentage) |
|----------------|-------------------|---------------------|-------------------------------|
| 2013/14 | 5,591,830 | 653,337 | 11.68% |
| 2014/15 | 5,639,193 | 686,778 | 12.18% |
| 2015/16 | 5,836,553 | 695,408 | 11.91% |
| 2016/17 | 4,973,571 | 586,086 | 11.78% |
| 2017/18 | 5,405,151 | 650,126 | 12.03% |
| 2018/19 | 6,197,753 | 746,983 | 12.05% |
| 2019/20 | 5,690,255 | 673,369 | 11.83% |
| 2020/21 | 5,759,016 | 684,562 | 11.89% |
| 2021/22 | 5,266,602 | 613,895 | 11.66% |
| 2022/23* | 5,539,396 | 625,361 | 11.29% |
| 2023/24** | 5,621,184 | 652,057 | 11.60% |

*Post Estimate **Post Forecast

Source: Eswatini Sugar Association, Eswatini Cane growers Association & Post Forecast

Consumption

Eswatini's domestic consumption of sugar is forecast to increase to 73,000 MT in the 2023/24 MY, up from 72,000 MT in 2022/23. The short-term outlook for Eswatini is positive, with GDP growth projected at approximately 3 percent in 2023, compared to just 0.4 percent in 2022. Population growth will also drive up the domestic consumption of sugar.

Annual per capita consumption of sugar in Eswatini is forecasted to increase to 40.2 kg, up from 40 kg in 2022/23 MY, based on population growth, a strengthening national economy, and improved market access in remote areas of the country, which are now serviced by large retail groups such as Shoprite under the Usave brand. Eswatini sugar consumption remains relatively low compared to other countries, such as South Africa (45 kg) and the United States (68 to 77 kg).

Eswatini has always enjoyed strong sugar demand from food and beverage manufacturers who use sugar as one of their main ingredients. Trade sources indicate that the impact of artificial sweeteners on sugar consumption has thus far been insignificant in the country, and the Eswatini sugar industry is not concerned at this stage. However, given the increasing trend of using artificial sweeteners in South Africa, in the long run it is expected that Eswatini manufacturers may also adopt the use of artificial sweeteners to remain competitive in the region.

The main food and beverage manufacturers that utilize sugar in Eswatini are Bromor Foods, Kraft Foods (previously Cadbury), Ngwane Mills, Parmalat, and Eswatini Fruit Cannery – Swazican. There are two boutique companies that use sugar to produce limited quantities of rum, vodka, and craft gin in Eswatini.

Trade:

Exports

Post forecasts that sugar exports will increase by 7 percent to 581,000 MT in the 2023/24 MY, up from 545,000 MT in the 2022/23 MY, based on increased production, the sugar industry's campaign to increase access in the regional markets, and global demand.

Eswatini is a member of the Southern African Customs Union (SACU) and exports to Botswana, Lesotho, Namibia, and South Africa duty-free. SACU is the most important market for the Eswatini sugar industry, accounting for 45-70 percent of the country's sugar exports, with the majority of exported supplies going to South Africa, the largest economy in the region.

South Africa is the main market for Eswatini's raw sugar exports. As of February 2023, Eswatini had exported 256,868 tons of raw sugar to South Africa in the 2022/23 MY, accounting for 71 percent of the country's total raw sugar exports. Other African countries to which Eswatini exported raw sugar to in 2022/23 MY include Kenya (2 percent), Botswana (1 percent) and Namibia (0.1 percent). Eswatini exports its refined sugar mainly to South Africa (51 percent), Kenya (38 percent) and Namibia (6 percent).

Eswatini is a beneficiary of the U.S. sugar tariff-rate quota (TRQ), which allows the country to export raw sugar duty-free to the United States. In the 022/23 MY (as of February), Eswatini exported 4 percent of its raw sugar to the United States. The annual U.S. TRQ allocation for Eswatini is 16,849 MT, which has remained constant over the last several years. The country consistently utilizes its full quota allocation each year, and post expects Eswatini to fully utilize its TRQ allocations in fiscal years 2023 and 2024.

The EU had been another large market for Eswatini sugar, but the volume of future raw sugar exports to Europe is uncertain, given the changes in EU domestic sugar policies, mainly, the removal of restrictions for domestic sugar beet production and the end of the preferential prices for sugar imports from least developed countries. These changes have resulted in an increase in sugar production in the EU, decreased sugar prices in Europe, and subsequently decreased EU imports from other countries over time. Eswatini has quota-free and duty-free market access for sugar exports to the EU under the Southern African Development Community-EU Economic Partnership Agreement (SADC-EU EPA).

Prior to the 2018/19 MY, Eswatini enjoyed duty-free access to the East African market based on its membership in the Common Market for Eastern and Southern Africa (COMESA). However, this privilege was withdrawn due to Eswatini’s membership in the Southern African Development Community (SADC) and Southern African Customs Union (SACU), which do not enjoy duty-free access in COMESA. This resulted in a temporary decline in exports to East Africa in the 2018/19 MY, but exports to the region rebounded in the 2019/20 MY.

Table 4: Raw Sugar Exports

| Eswatini Exports to the World | | | | | |
|--|-------------|----------------|----------------|----------------|-----------------|
| Commodity: Raw Sugar HS170111, HS170112, HS170113, HS170114 | | | | | |
| Year Ending Plus: May – April | | | | | |
| Reporter | Unit | 2019/20 | 2020/21 | 2021/22 | 2022/23* |
| World | T | 711,837 | 613,012 | 468,010 | 359,576 |
| South Africa | T | 352,647 | 351,622 | 329,219 | 256,868 |
| EU 27 | T | 210,410 | 100,184 | 99,028 | 69,725 |
| United States | T | 18,424 | 24,265 | 19,986 | 19,972 |
| Kenya | T | 68717 | 38,807 | 6,000 | 6,003 |
| Switzerland | T | 659 | 1828 | 3339 | 3744 |
| Botswana | T | 5,548 | 13,896 | 5,079 | 2,742 |
| Namibia | T | 180 | 1212 | 679 | 504 |
| Canada | T | 21 | 311 | 12 | 16 |
| Brazil | T | 3 | 5 | 3 | 2 |
| United Kingdom HMRC | T | 55220 | 80,875 | 4643 | - |
| Australia | T | 1 | 0 | 20 | - |

***Export data through February 2023**

Source: Trade Data Monitor

Table 5: Refined Sugar Exports

| Eswatini Exports to the World | | | | | |
|--|-------------|----------------|----------------|----------------|-----------------|
| Commodity: Refined Sugar HS170191, HS170199 | | | | | |
| Year Ending Plus: May – April | | | | | |
| Reporter | Unit | 2019/20 | 2020/21 | 2021/22 | 2022/23* |
| World | T | 56,347 | 46,002 | 54,717 | 37,398 |
| South Africa | T | 39,232 | 25,900 | 21,276 | 18,820 |
| Kenya | T | 9,500 | 15,782 | 26,944 | 14,008 |
| Zimbabwe | T | 0 | 0 | 1,342 | 2,102 |
| Namibia | T | 6713 | 4208 | 5,062 | 2,065 |
| Zambia | T | 0 | 0 | 0 | 140 |
| EU 27 | T | 624 | 101 | 74 | 108 |
| Switzerland | T | 3 | 1 | 0 | 41 |
| China | T | 0 | 0 | 4 | 6 |

***Export data through February 2023**

Source: Trade Data Monitor

Imports

Eswatini sugar imports are minimal due to the country's high production volumes, which typically far exceed domestic consumption. Eswatini's imports are mainly from South Africa and are less than 1,000 MT per marketing year.

Stocks

Post forecasts that closing stocks will decrease to 51,000 MT in the 2023/24 MY, down from 54,000 MT in the 2022/23 MY, based on forecast increases in exports and domestic consumption. The Eswatini Sugar Association owns the closing stocks of unsold sugar at the end of the season. Stocks held by retailers, wholesalers, and pre-packers are considered sold at the end of the season. Large ending stocks of above 40,000 MT pose a challenge to the industry as the Eswatini Sugar Association must pay storage fees for such sugar and compensate millers and growers as all the sugar must be sold at the end of each season.

Table 6: PS&D for Sugar

| Sugar, Centrifugal Market Year Begins | 2021/2022 | | 2022/2023 | | 2023/2024 | |
|--|------------------|----------|------------------|----------|------------------|----------|
| | May 2021 | | May 2022 | | May 2023 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Eswatini | | | | | | |
| Beginning Stocks (1000 MT) | 28 | 28 | 47 | 47 | 0 | 54 |
| Beet Sugar Production (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production (1000 MT) | 615 | 615 | 630 | 625 | 0 | 652 |
| Total Sugar Production (1000 MT) | 615 | 615 | 630 | 625 | 0 | 652 |
| Raw Imports (1000 MT) | 1 | 1 | 1 | 1 | 0 | 1 |
| Refined Imp.(Raw Val) (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Imports (1000 MT) | 1 | 1 | 1 | 1 | 0 | 1 |
| Total Supply (1000 MT) | 644 | 644 | 678 | 673 | 0 | 707 |
| Raw Exports (1000 MT) | 480 | 480 | 500 | 500 | 0 | 535 |
| Refined Exp.(Raw Val) (1000 MT) | 44 | 44 | 45 | 45 | 0 | 46 |
| Total Exports (1000 MT) | 524 | 524 | 545 | 545 | 0 | 581 |
| Human Dom. Consumption (1000 MT) | 71 | 71 | 72 | 72 | 0 | 73 |
| Other Disappearance (1000 MT) | 2 | 2 | 2 | 2 | 0 | 2 |
| Total Use (1000 MT) | 73 | 73 | 74 | 74 | 0 | 75 |
| Ending Stocks (1000 MT) | 47 | 47 | 59 | 54 | 0 | 51 |
| Total Distribution (1000 MT) | 644 | 644 | 678 | 673 | 0 | 707 |
| | | | | | | |
| (1000 MT) | | | | | | |

Trade Policy and Regulations:

Markets Standards

To produce sugarcane sustainably and uphold social responsibility, the sugar industry in Eswatini decided to comply with the international [BonSucro](#) standard. Producers are working towards complying with BonSucro requirements, although it is expected to result in additional production costs without any corresponding increase in profit. The Eswatini Sugar Association is paying for the BonSucro audit, but it will be up to the industry to fund any changes needed to meet the program's standards. This process started in 2022, and it is expected to take at least 6 years to complete.

Electricity Cogeneration

The Eswatini sugar industry uses bagasse to generate electricity, which is used by sugar mills during peak production periods. None of the electricity generated from the sugar mills is supplied to the national electricity grid due to the absence of appropriate incentives and policy by the state-controlled Eswatini Electricity Company. Eswatini sugar cane growers are currently not compensated for the bagasse used in electricity production, and there have been drawn-out industry discussions to change these terms.

Ethanol Production

There is currently no commercial production of fuel-grade ethanol from sugar cane in Eswatini. However, one of the country's sugar mills, [RES Corporation](#), and an independent distiller, [USA Distillers](#) produce beverage-grade ethanol, neutral ethyl alcohol for high-value applications, and feints (used for the manufacturing of methylated spirit). It is expected that ethanol production will continue to increase in Eswatini based on the increase in sugar production.

Sugar Marketing and Sales

The Eswatini Sugar Association is responsible for *marketing* of all the *sugar* (both raw and refined) produced in Eswatini. The revenue obtained through the sale of sugar and molasses is shared between growers and millers based on an agreed process and formula guided by the Sugar Act of 1967 and Eswatini Sugar Agreement. The Eswatini Sugar Association provides a rebate (discount) to value-adding industries located within Eswatini to encourage and support domestic sugar sales.

U.S. Sugar TRQ

The United States allows duty-free access for Eswatini raw sugar exports under the TRQ program. The total TRQ allocation offered to Eswatini is 16,849 MT annually, and the country always utilizes its full quota allocation, as well as any additional re-allocations. Prices in the U.S. market remain attractive compared to other countries. Post forecasts that Eswatini will fully utilize its allocated TRQ in the 2022/23 and 2023/24 MYs.

European Union

The EU has historically been an important market for the Eswatini sugar industry, accounting for 24-55 percent of exports. However, changes in the EU domestic sugar policy have resulted in low sugar prices and returns from this market. The key changes in the EU domestic sugar policies include removal of restrictions for domestic sugar beet production and an end to the preferential prices that were previously extended to least developed countries, including Eswatini. Such changes have resulted in an increased sugar production in the EU, as well as decreased in sugar prices and a subsequent decrease in EU imports. As a result, Eswatini exports to the EU are expected to be inconsistent and may continue declining over time.

Customs Import Duties Applied to Eswatini Sugar Exports

Table 7: Customs Duties

| Heading/ Subheading | CD | Article Description | Statistical Unit | Rate of Duty (c/kg) | | | | | |
|------------------------|----|---|---------------------|---------------------|--------|--------|--------|----------|--------|
| | | | | General | EU | EFTA | SADC | MERCOSUR | AfCFTA |
| 17.01 | | Cane or beet sugar and chemically pure sucrose, in solid form: | | | | | | | |
| 1701.1 | | Raw sugar not containing added flavoring or coloring matter: | | | | | | | |
| 1701.12 | 2 | Beet sugar | Kg | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 |
| 1701.13 | 9 | Cane sugar | Kg | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 |
| 1701.14 | 5 | Other cane sugar | Kg | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 |
| 1701.9 | | Other: | | | | | | | |
| 1701.91 | 2 | Containing added flavoring or coloring matter | Kg | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 |
| 1701.99 | 3 | Other | Kg | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 | 195.28 |

Source: South African Revenue Service

Report Sources:

Eswatini Sugar Association – <https://esa.co.sz/>

Eswatini Canegrowers Association – <http://www.ecga.co.sz/>

Royal Eswatini Sugar – <https://www.res.co.sz/home.php>

Aggregated data in Trade Data Monitor

Attachments:

No Attachments