

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

### **Sugar Annual**

#### **The supply and demand of sugar in South Africa.**

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**Report Highlights:**

The impact of the 2015 drought is expected to continue in the 2016/17 MY. Post forecasts that the South African sugar cane crop will decrease by three percent to 14,4 MMT in the 2016/17 MY, which will result in a two percent decrease in the 2016/17 MY sugar production to 1.600 MMT. South Africa is forecasted to sufficiently meet the 2016/17 MY domestic consumption and also export some sugar to its key traditional export markets.

**Commodities:**

Sugar, Centrifugal

Sugar Cane for Centrifugal

**Executive Summary**

Post forecasts that the South African sugar cane crop will decrease by three percent to 14,4 MMT in the 2016/17 MY, from 14,9 MMT in the 2015/16MY as a result of the impact of the 2015 drought conditions, lower yields and limited irrigation water. The decrease in the sugar cane crop is expected to result in a two percent decrease in the 2016/17 MY sugar production to 1.600 MMT (1.656 MMTRV), from 1.627 MMT (1.684 MMTRV) in the 2015/16 MY.

Post forecasts that South Africa will have enough stocks to export about 320,000 MTRV of sugar in the 2016/17 MY. Post forecasts that the 2016/17 MY imports will increase by three percent to 500,000 MTRV based on the decrease in sugar production and to supplement domestic sugar supply.

South Africa's net sugar consumption is forecasted to remain level at 1,957 MMTRV in the 2016/17 MY based on the low economic growth forecasted at below one percent and the impact of high food inflation on sugar prices and consumer demand. Post forecasts that the 2016/17 MY ending stocks of sugar will decrease by 43 percent to 175,000 MTRV, based on the decrease in sugar production.

**Sources**

South African Sugar Association	<a href="http://www.sasa.org.za">http://www.sasa.org.za</a>
Illovo Sugar Company	<a href="http://www.illovo.co.za">http://www.illovo.co.za</a>
Tongaat Hulett Sugar	<a href="http://www.hulett.co.za">http://www.hulett.co.za</a>
Tsb	<a href="http://www.tsb.co.za">http://www.tsb.co.za</a>
South African Canegrowers	<a href="http://www.sacanegrowers.co.za">http://www.sacanegrowers.co.za</a>
South African Revenue Services	<a href="http://www.sars.gov.za">www.sars.gov.za</a>
Department of Energy	<a href="http://www.energy.gov.za">www.energy.gov.za</a>

**Exchange Rate**

US\$1=R15 (04/04/2016)

MMT – Million metric tons

MMTRV – Million metric tons raw value

MY – Marketing Year (April – March)

## **Sugar cane** **Production**

Post forecasts that the South African sugar cane crop will decrease by three percent to 14,4 MMT in the 2016/17 MY, from 14,9 MMT in the 2015/16MY as a result of the impact of the 2015 drought conditions, lower yields and limited irrigation water in the fully irrigated Mpumalanga region and some partially irrigated Kwa –Zulu Natal cane growing areas. The 2014/15 MY sugar cane production remains unchanged at 17.8 MMT based on final industry data. **Table 1** below illustrates the sugar cane production statistics up to to the 2016/17 MY.

**Table 1: The production of sugar cane in South Africa**

<b>Marketing years</b>	<b>Area planted (HA)</b>	<b>Area harvested (HA)</b>	<b>Yield (MT/HA)</b>	<b>Cane crushed (MT)</b>	<b>Sugar production (Tel Quel MT*)</b>	<b>Cane/sugar ratio</b>
<b>2012/13</b>	371,662	257,095	67.2	17,278,020	1,951,518	8.9
<b>2013/14</b>	378,922	265,939	70.3	20,032,969	2,352,878	8.5
<b>2014/15</b>	381,707	272,590	65.1	17,755,504	2,118,232	8.4
<b>2015/16 (Estimate)</b>	340,000	245,000	61.9	14,861,390	1,627,000	9.1
<b>2016/17 (Forecast)</b>	330,000	240,000	60.0	14,400,000	1,600,000	9.0

\*Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value; Source: SA Canegrowers

**Figure 1** below shows the main sugar cane production areas in South Africa. The Kwa-Zulu Natal Province is largely rain fed production (approximately 95 percent rain fed) with limited irrigated areas, while the Mpumalanga province is all irrigated.

**Figure 1: Map of sugar cane production areas**



Source: South Africa Sugar Association

The South African sugar industry currently uses bagasse to generate electricity which is largely fed back to the sugar mills. There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in South Africa. On August, 23, 2012, the South African government published regulations regarding the mandatory blending ([Click here for the regulation](#)), and on September 30, 2013, the Minister of Energy announced that the date for the mandatory blending of biofuels with petrol and diesel will be October, 1, 2015 ([Click here for the statement](#)). Post contacts have indicated that while there is a strong interest in biofuels, actual production is anticipated to only commence once government finalizes and passes the government position paper on biofuels. The position paper was published for public comments on January, 15, 2014, and the deadline for public comments was February, 10, 2014. The position paper can be found on the following link; ([Click here for the position paper](#)). There is uncertainty as to when government will finalize this regulation as the pricing policy and the framework are still under review.

**Table 2: PS&D for sugar cane**

Sugar Cane for Centrifugal Market Begin Year	2014/2015		2015/2016		2016/2017	
	Apr 2014		Apr 2015		Apr 2016	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	382	382	360	340	0	330
Area Harvested	273	273	250	245	0	240
Production	17,756	17,756	15,000	14,861	0	14,400
Total Supply	17,756	17,756	15,000	14,861	0	14,400
Utilization for Sugar	17,756	17,756	15,000	14,861	0	14,400
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	17,756	17,756	15,000	14,861	0	14,400
(1000 HA) ,(1000 MT)						

Source: South African Canegrowers; South African Sugar Association and Post data

## Sugar

### Production

Post forecasts that the 2016/17 MY sugar production will decrease by two percent to 1.600 MMT (1.656 MMTRV), from the 2015/16 MY sugar production of 1.627 MMT (1.684 MMTRV), based on the decrease in the sugar cane crop due to drought and lower cane yields. The 2014/15 MY sugar production remain unchanged at 2.12 MMT (2.192 MMTRV), based on final industry data.

There are six sugar milling companies in South Africa, namely, Tongaat Hullet Sugar, Illovo Sugar, Tsb, Umfolozi Sugar Company, Gledhow Sugar Company and UCL Sugar Company. These six milling companies own a combined total of 14 sugar mills in the Kwa-Zulu Natal Province (12 Mills) and Mpumalanga Province (2 Mills).

### Consumption

South Africa's net sugar consumption is forecasted to remain level at 1,957 MMTRV in the 2016/17 MY based on the low economic growth forecasted at below one percent and the impact of high food inflation on sugar prices and consumer demand. The 2014/15 MY consumption remains unchanged at 1,952 MMTRV based on final industry data and post workings.

The South African Customs Union (SACU) is the primary market for the South African sugar industry. Post forecasts that the 2016/17 MY sugar supply by South Africa to SACU will remain level at 1.606 MMT (1.718 MMTRV), based on the low economic growth forecasts in the region and the decrease in sugar production. Post revised upwards the 2015/16 MY estimated sugar sales to 1.606 MMT (1.718 MMTRV) based on updated industry data. The 2014/15 MY sugar sales remain unchanged at 1.686 MMT (1.804 MMTRV) based on industry data. **Table 3** below contains South African sugar sales into the SACU market from the 2012/13 MY to 2015/16 MY.

**Table 3: South African sales of sugar into the SACU market**

MT *	2013/14	2014/15	2015/16**
White sugar	1,156,505	1,279,372	1,222,000
Brown sugar	393,409	406,737	384,000
<b>Total sales</b>	<b>1,549,914</b>	<b>1,686,109</b>	<b>1,606,000</b>
Direct sales	788,553	847,004	883,300
Industrial sales	761,361	839,105	722,700
<b>Total sales</b>	<b>1,549,914</b>	<b>1,686,109</b>	<b>1,606,000</b>
<b>MTRV</b>	<b>1,658,408</b>	<b>1,804,137</b>	<b>1,718,420</b>

\*Refined x 1.07 = Raw value, \*\* Estimate.

Source: South African Sugar Association

Sugar in South Africa is primarily used for direct human consumption, as well as for industrial purposes e.g. as an ingredient. Some sugar mills produce downstream products such as furfuryl, furfural and industrial alcohol.

### Exports

Post forecasts that South Africa will have enough stocks to export about 320,000 MTRV of sugar in the 2016/17 MY based on the available stocks. Post revised downwards the 2015/16 MY exports to 320,000

MTRV based on the lower export figures up to January 2016 and post estimates for the months of February and March 2016. The 2014/15 MY, exports remains unchanged at 772,708 MTRV based on the Global Trade Atlas (GTA) data.

South Africa only exports surplus sugar after satisfying the domestic market. The South African Customs Union, Indonesia, Japan, Malaysia, Australia, Bangladesh, United States, New Zealand and countries in sub-Saharan Africa are the main export markets for South African raw sugar exports. South Africa's raw sugar exports are highly sensitive to drought conditions. The major market for South Africa's refined sugar exports is sub-Saharan Africa. Exports of raw and refined sugar are shown in **Table 4** and **Table 5**, respectively. The trade statistics now includes SACU exports as per the Global Trade Atlas (GTA) data.

**Table 4: Export Trade Statistics – Raw Sugar**

<b>South Africa Export Statistics</b>					
<b>Commodity: Sugar Raw, (HS170111, 170112, 170113, 170114)</b>					
<b>Year Ending: March</b>					
<b>Partner Country</b>	<b>Unit</b>	<b>Quantity</b>			
		<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16*</b>
World	T	126,992	527,785	408,343	119,767
Namibia	T	2,009	33,321	110,049	86,209
Bangladesh	T	0	0	73,650	0
United States	T	23,216	0	46,410	0
Japan	T	30,000	121,000	30,000	0
Malaysia	T	0	0	27,550	0
Australia	T	0	28,200	26,012	0
Botswana	T	0	14,998	24,049	17,265
Indonesia	T	36,000	197,297	20,000	0
Mozambique	T	9,843	20,472	17,641	1,619
Lesotho	T	0	7,378	16,242	13,782
Romania	T	0	0	8,800	0
Yemen	T	33	10	4,283	0
Zimbabwe	T	20,775	46,980	1,906	110

\*Figures up to January 2016.

Source: Global Trade Atlas (GTA)

**Table 5: Export Trade Statistics – Refined Sugar**

<b>South Africa Export Statistics</b>					
<b>Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191</b>					
<b>Year Ending: March</b>					

Partner Country	Unit	Quantity			
		2012/13	2013/14	2014/15	2015/16*
World	T	213,774	318,170	340,528	119,087
Mozambique	T	58,600	95,699	107,432	44,833
Kenya	T	6,464	10,827	44,621	2,091
Zimbabwe	T	36,958	57,485	43,260	9,638
Angola	T	43,215	42,235	41,330	12,746
Botswana	T	34	16,520	37,837	19,866
Madagascar	T	25,973	20,641	17,305	8,180
Uganda	T	13,750	10,101	7,841	800
Ghana	T	1,638	4,821	6,155	1,365
Congo Dem. Rep.	T	4,415	4,041	5,912	118
Namibia	T	4,341	2,605	5,810	8,679
Lesotho	T	0	1,342	5,549	4,542
Tanzania	T	9	16,943	4,609	1
Comoros	T	3,492	3,406	4,092	2,045
Mayotte	T	1,416	2,234	2,386	1,757
Benin	T	400	0	1,025	0

\*Figures up to January 2016.

Source: GTA

## Imports

Post forecasts that the 2016/17 MY imports will increase by three percent to 500,000 MTRV based on the decrease in sugar production and to supplement domestic sugar supply. The 2015/16 MY imports have been revised upwards to 485,000 MTRV based on the higher than anticipated imports up to January 2016, as well as post forecasts for the months of February and March 2016. The 2014/15 MY imports remains unchanged at 505,927 MTRV based on the updated GTA data. South Africa's sugar import figures remain high due to the recent inclusion of the SACU trade statistics. Imports from Swaziland accounted for 65 percent of the total South African sugar imports in the 2014/15 MY. The impact of increasing the Dollar Based Reference Price and the customs duties on sugar has been significant in decreasing sugar imports into South Africa, for example, sugar imports from Brazil decreased by 70 percent from 435,572 MTRV in the 2013/14 MY to 130,812 MTRV in the 2014/15 MY, and are currently at 63,171 MTRV in the 2015/16 MY.

**Table 6: Import Trade Statistics – Raw Sugar**

South Africa Import Statistics					
Commodity: Sugar Raw, (HS170111, 170112, 170113, 170114)					
Year Ending: March					
Partner Country	Unit	Quantity			
		2012/13	2013/14	2014/15	2015/16*
World	T	43,116	207,795	352,179	302,824

Swaziland	T	0	100,743	300,390	280,777
Brazil	T	40,672	98,053	30,554	9,858
Zambia	T	30	0	8,798	9,990
Thailand	T	2,000	5,658	7,906	627
India	T	264	2,478	1,604	4
Guatemala	T	0	0	1,250	0
Other Countries NES	T	0	416	850	962
Namibia	T	0	268	569	303

\*Figures up to January 2016.

Source: GTA

**Table 7: Import Trade Statistics – Refined Sugar**

South Africa Import Statistics					
Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191					
Year Ending: March					
Partner Country	Unit	Quantity			
		2012/13	2013/14	2014/15	2015/16*
World	T	163,965	365,399	143,690	88,179
Brazil	T	146,412	315,438	93,699	53,313
Swaziland	T	0	10,031	28,604	13,707
Malawi	T	0	0	8,290	8,210
Zambia	T	0	0	6,694	5,661
India	T	4,204	4,641	5,343	3,158
Thailand	T	9,315	3,980	459	2,510
Netherlands	T	3	135	185	3
Pakistan	T	0	125	130	270
Botswana	T	0	82	109	72
United Kingdom	T	90	135	88	429
Mauritius	T	0	0	21	0
Belgium	T	30	44	16	10
United States	T	665	5	12	10
China	T	3	2	11	9

\*Figures up to January 2016.

Source: GTA

### Stocks

Post forecasts that the 2016/17 MY ending stocks of sugar will decrease by 43 percent to 175,000 MTRV, based on the decrease in sugar production. The 2015/16 MY ending stocks have been revised

upwards 306,000 MTRV based on the higher than anticipated imports and the decrease in exports which were partially offset by the increase in domestic consumption. The 2014/15 MY stocks remain unchanged at 424,000 MTRV based on final industry data.

**Table 8: PS&D for sugar**

Sugar, Centrifugal Market Begin Year	2014/2015		2015/2016		2016/2017	
	April 2014		April 2015		April 2016	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	460	460	424	424	0	306
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2,192	2,192	1,750	1,684	0	1,656
Total Sugar Production	2,192	2,192	1,750	1,684	0	1,656
Raw Imports	352	352	350	375	0	390
Refined Imp.(Raw Val)	154	154	100	110	0	110
Total Imports	506	506	450	485	0	500
Total Supply	3,158	3,158	2,624	2,593	0	2,462
Raw Exports	408	408	250	170	0	170
Refined Exp.(Raw Val)	364	364	240	150	0	150
Total Exports	772	772	490	320	0	320
Human Dom. Consumption	1,952	1,952	1,900	1,957	0	1,957
Other Disappearance	10	10	10	10	0	10
Total Use	1,962	1,962	1,910	1,967	0	1,967
Ending Stocks	424	424	224	306	0	175
Total Distribution	3,158	3,158	2,624	2,593	0	2,462

(1000 MT)

### Trade policies:

#### New sugar tax

On February 24, 2016, the South Africa Finance Minister announced during the Budget Speech that South Africa would be introducing a tax on sugar-sweetened beverages with effect from April 1, 2017. Post contacts indicated that the purpose of the sugar tax is to reduce excessive sugar intake as it is linked with conditions such as obesity and diabetes. Although the specific tax amount has not been published it is believed that it will be around 20%. There are still mixed views on the potential impact of this tax.

#### Increase in the domestic Dollar Based Reference Price

The domestic Dollar Based Reference Price (DBRP) mechanism is designed to ensure that, inclusive of the duty, the DBRP (currently US\$566 per ton), is the lowest price that an importer will pay for imported sugar. In the event that the import prices are lower than the DBRP, an import duty is applicable, while an import price higher than the DBRP would result in no import duties payable. The DBRP and the depreciating Rand are the main reasons for the decreases in imports from Brazil in the 2014/15 MY.

On April, 4, 2014, the South African Revenue Service implemented the International Trade Commission of South Africa's (ITAC) recommendation that the DBRP for sugar be increased from US\$358/ton to US\$566/ton. Details of the ITAC recommendation can be found on the following link, <http://www.itac.org.za/docs/Reportpercent20No.percent20463.PDF>. The ITAC recommendation was in response to an application lodged by SASA for the DBRP to increase from US\$358/ton to US\$764/ton, to protect the domestic sugar industry from duty free imports. The main justification provided by SASA for the increase was the important role of the sugar industry in socio-economic development in the rural areas, and that in order for the sugar industry to continue its contribution to governments' development objectives it required financial and economic stability through fair protection from the distorted sugar world market.

### Customs Import duties

**Table 9** below presents the sugar customs duty as at April 15, 2016. The rate of duty is about R2.45/kg (US\$0.16/kg). [Click here to download the complete SARS Customs Schedule as at March 11, 2016.](#)

**Table 9: Customs duties**

Heading/ Subheading	CD	Article Description	Unit	Rate of Duty (c/kg)			
				General	EU	EFTA	SADC
<b>17.01</b>		<b>Cane or beet sugar and chemically pure sucrose, in solid form:</b>					
<b>1701.1</b>		<b>Raw sugar not containing added flavoring or coloring matter:</b>					
1701.12	2	Beet sugar	Kg	245.4	245.4	245.4	245.4
1701.13	9	Cane sugar	Kg	245.4	245.4	245.4	245.4
1701.14	5	Other cane sugar	Kg	245.4	245.4	245.4	245.4
<b>1701.9</b>		<b>Other:</b>					
1701.91	2	Containing added flavoring or coloring matter	Kg	245.4	245.4	245.4	245.4
1701.99	3	Other	Kg	245.4	245.4	245.4	245.4

Source: South African Revenue Service.

### EU Free Trade Agreement

South Africa could be granted an annual quota of 150,000 MT sugar to export duty free to the European Union under the SADC/EU Economic Partnership Agreement which is still to be finalized and implemented. Industry is still uncertain on the final date of implementation.

### United States sugar Tariff Rate Quota (TRQ) allocation

South Africa fully utilized the allocated 24,220 MTRV quota for the 2015 FY. South Africa confirmed that it has the capacity to export the 24,220 MTRV 2016 FY allocated quota to the United States in the 2015/16 MY.

### **Amendments to regulation relating to food labelling and advertising**

On May 29, 2014, South Africa proposed amendments to the Foodstuffs, Cosmetics and Disinfectants Act (54/1972): Regulations relating to the Labelling and advertising of foods.

<http://www.health.gov.za/docs/legislation/R429of29May2014-draft-FL-Regs.pdf> . Post published a report on the proposed amendment,

[Click here to download the GAIN report](#) . The proposed regulation amendment has not been finalized, and post contacts have indicated that the volume of comments received was a lot more than anticipated.

### **Review of the Sugar Act and Sugar Industry Agreement**

South Africa is currently in the process of reviewing the Sugar Act ([Download the Act](#) ) and the Sugar Industry Agreement ([Download the Agreement](#) ). The process has been underway for at least thirteen years, and it is still uncertain as to when the Department of Trade and Industry will publish the proposed amendments.