

Required Report: Required - Public Distribution

Date: May 01, 2023

Report Number: SF2023-0013

Report Name: Sugar Annual

Country: South Africa - Republic of

Post: Pretoria

Report Category: Sugar

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Report Highlights:

Post forecasts South Africa's sugar cane crop will increase by 3 percent to 18.5 million metric tons (MT) in market year (MY) 2023/24 assuming a return to normal weather conditions, an improvement in yields, and industry efforts to increase production, especially for small-scale farmers. Post forecasts that raw sugar production will increase by 9 percent to 2.2 million MT MY 2023/24, based on an increase in the quantity of cane delivered to the mills and consistent mill efficiencies (sugar recovery rate). South Africa is expected to fully utilize its allocation of the U.S. tariff rate quota (TRQ) for sugar in MY 2023/24. The industry has been able to successfully increase domestic demand by 280,000 MT over the last three years, partly due to commitments by local manufacturers and some retailers to use domestic sugar as part of the Sugar Industry Master Plan.

MT = metric tons

MY = marketing year (April-March for sugar cane and May-April for sugar)

1 U.S. dollar (\$) = 18.08 South African rand as of April 17, 2023

Background:

Sugar cane in South Africa is grown in the provinces of KwaZulu-Natal Province and Mpumalanga, as shown in **Figure 1**. Sugar cane production in KwaZulu-Natal is 95 percent rainfed with limited irrigated areas, while production in Mpumalanga is fully irrigated using center pivots, sprinklers, and a canal system. At least 80 percent of South African sugar cane production is supplied by large-scale farmers, with the remainder produced by small-scale farmers.

Figure 1: Map of Sugar Cane Production Areas in South Africa



Source: South African Sugar Association (SASA)

The sugar industry classifies growers based on their volume of sugar cane production. The term “large-scale growers” refers to producers of more than 1,800 metric tons (MT) of sugar cane per season, with growers producing less than 1,800 MT of sugar cane classified as “small-scale growers.” Typically, small-scale growers have less than 30 hectares, and most small-scale farmers in communal areas have less than 1 hectare. In total, there are approximately 23,524 registered sugar cane growers in South Africa, comprised of 1,251 large-scale growers and 22,273 small-scale growers. Both large-scale and small-scale farmers are required to sign a sugar cane supply agreement with a specific sugar mill guaranteeing that they will supply that mill,

while the mill promises to accept their sugar cane deliveries if they meet the agreed quality standards.

Figure 2 shows the structure of the South African sugar industry. The South African Sugar Association (SASA) is funded by both growers and milling companies and is the industry's highest decision-making authority on issues concerning sugar cane growers and sugar millers. SASA provides support services to the entire industry's value chain, including managing exports of raw sugar, cane testing, and policy advocacy. SASA was established by the [Sugar Act of 1978](#) and falls under the authority of the Department of Trade, Industry, and Competition (DTIC). The South African Sugar Research Institute (SASRI) is a division of SASA that conducts scientific research on sugar cane varieties, pests, diseases, and crop protection. SASRI also provides extension and meteorology services for the industry. The Sugar Milling Research Institute (SMRI) studies sugar manufacturing and provides technical services to the Southern African sugar milling and refining industry.

There are two associations representing sugar cane growers: the South African Canegrowers Association (SACGA) and the South African Farmers Development Association (SAFDA). SACGA was established in 1927 and currently represents predominantly white large-scale growers with some small-scale growers. SAFDA was formed in 2017, initially to represent the interests of black sugar cane farmers due to the slow pace of transformation in the industry. However, some white commercial farmers are members of SAFDA due to the services that it offers, including bulk procurement of inputs, land reform support, and development finance.

The South African Sugar Millers Association (SASMA) represents the interests of the country's six sugar milling companies: Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, RCL Foods, Gledhow Sugar Company, Umfolozi Sugar Mill Ltd, and UCL Company Ltd. These six milling companies own a combined total of 12 sugar mills: 10 in KwaZulu-Natal and 2 in Mpumalanga. The Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and RCL Foods (Formerly known as Tsb Sugar RSA Ltd) produce both raw and refined sugar. The Umfolozi Sugar Mill Ltd and UCL Company Ltd only produce raw sugar. The Gledhow Sugar Company only produces refined sugar. Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and RCL Foods also own sugar mills in Eswatini, Malawi, Zimbabwe, Zambia, Mozambique, and Tanzania.

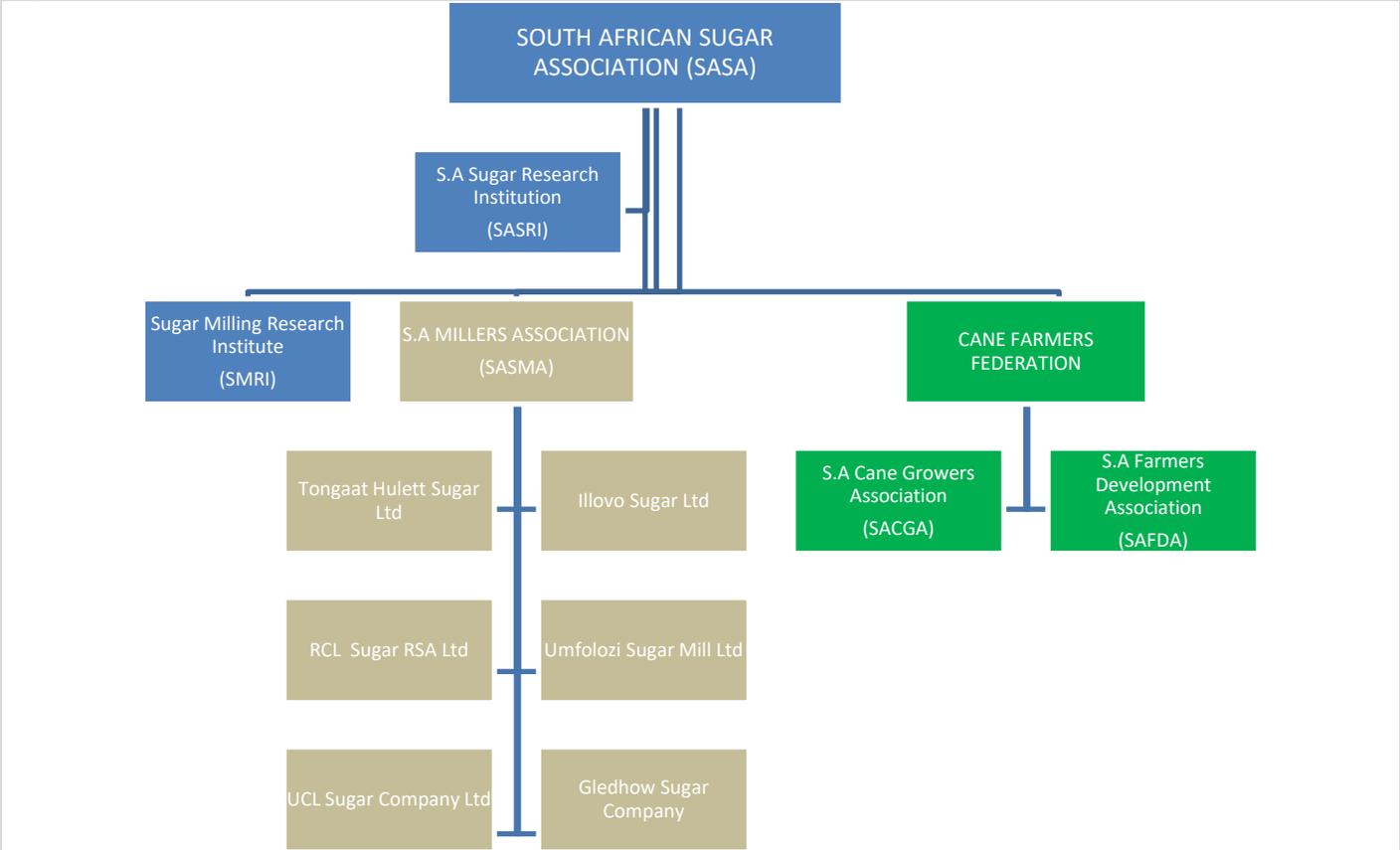
Two of the sugar mills in KwaZulu-Natal (Darnall owned by Tongaat Hulett Sugar Ltd and Umzimkulu owned by Illovo Sugar) permanently closed in 2021 due to financial challenges and the milling company's strategy to maintain their commercial viability. There are concerns that if the status quo remains, more sugar mills may be permanently closed, which would be devastating to the rural communities and towns that rely on these mills for employment and business development opportunities.

In October 2022, Tongaat Hulett, South Africa's largest sugar miller, opted to enter voluntary business rescue due to financial distress caused by a R369 million (\$20.8 million) loss of sugar at a refinery, a depressed property market, the withdrawal of support by a credit insurer, and significant cost increases in commodities and raw materials as a result of Russia's invasion of Ukraine. (More information is available in Post's November 2022 GAIN report: [Financial Troubles Spread for South Africa's Largest Sugar Processor](#).) In March 2023, the Gledhow sugar

mill was also placed under business rescue due to financial distress. The sugar mill, which is situated in KwaZulu-Natal, is important to the sugar industry as it services about 245 growers who produce 1.1 million tons of sugar cane. The company faced challenges such as forced closure due to social unrest in July 2021, damage to machinery and infrastructure in the floods of April 2022, and increases in supply costs that caused cash flow constraints for the company.

Industry sources confirm that Tongaat Hulett and Gledhow defaulted on the approximately R1 billion (\$50 million) on levies due to the South African Sugar Association at end of March for distribution to growers. This resulted in the recoverable value (the RV price is what growers receive for the cane they deliver to mills) declining by 8 percent, with growers taking a corresponding decrease in revenue for the 2022/23 season. The decline in grower revenue especially threatens the livelihoods of small-scale growers and the rural economy.

Figure 2: Structure of the South African Sugar Industry



Sources: SASA, SACGA, and SAFDA

Sugar Cane:

Production

Post forecasts that planted area for sugar cane in South Africa will increase minimally by 0.1 percent to 349,500 hectares (ha) in MY 2023/24 from 349,000 ha in the 2022/23 MY. Limited growth in the area planted is due to the discouraging effect of the high cost of fertilizer and chemicals, as well as the risk of carry-over cane due to limited milling capacity. However, area harvested is forecasted to increase as growers expect to harvest the current season's cane and cane that was left unharvested in MY2022/23.

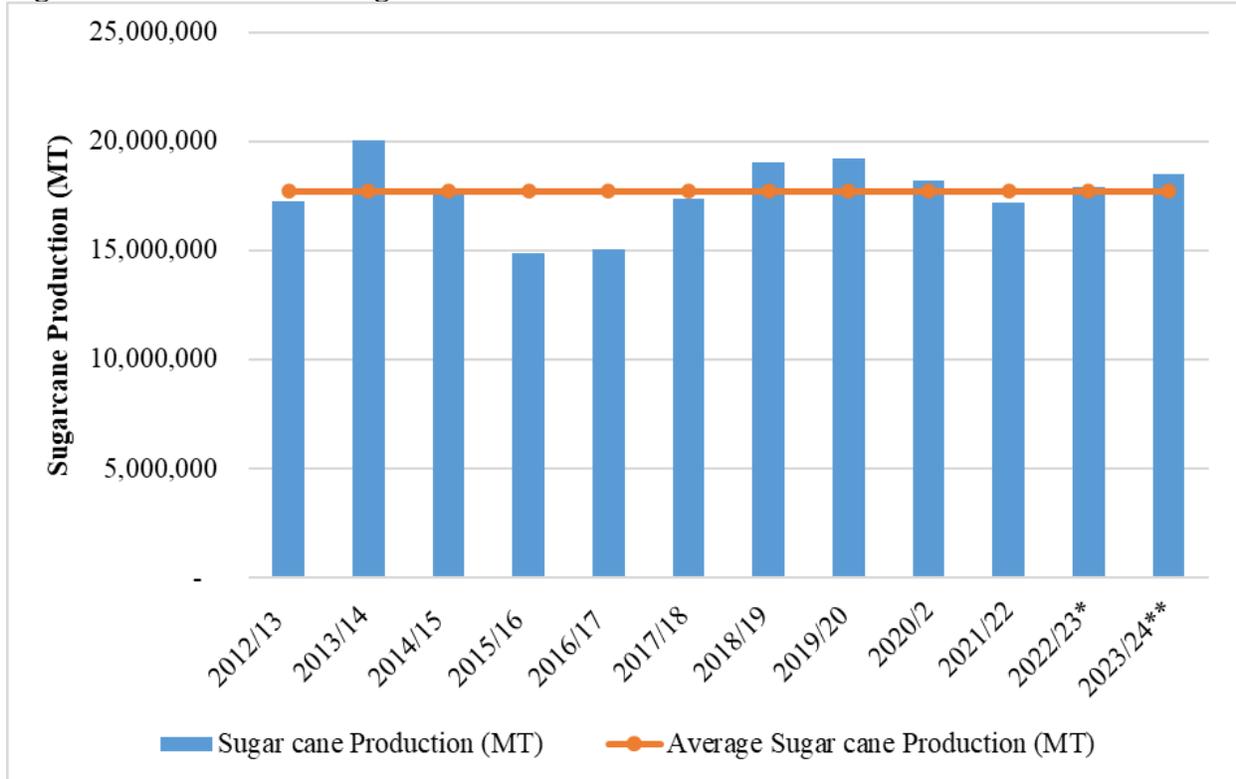
Post forecasts the South African sugar cane crop will expand by 3 percent to 18.5 million MT in the 2023/24 MY, up from 17.9 million MT in the 2022/23 MY. This is based on a return to normal weather conditions, an improvement in yields, and industry efforts to increase production, especially for small-scale farmers. This is expected to be partially offset by some growers diversifying to more profitable crops, lower replanting from growers who are under financial distress, and risks of carryover cane due to the limited milling capacity following the permanent closure of the Umzimkulu and Darnall mills and uncertainty around two milling companies being placed under business rescue (Gledhow and Tongaat Hulett).

Post decreased the estimate for South Africa's sugar cane production in MY 2022/23 to 17.9 million MT, as a result of cane that was carried over and could not be milled due to limited milling capacity. Additionally, KwaZulu-Natal experienced floods in April 2022 with sugar cane in some parts of the province damaged and washed away by debris. Other effects of the flood included sugar cane rot in some waterlogged fields and delayed deliveries (which diminished cane quality) to sugar mills due to damaged road infrastructure.

South Africa is experiencing significant challenges with its electricity supply, including frequent power outages that affect the one-third of sugar cane produced under irrigation. Growers irrigate whenever power is available, working around frequent scheduled blackouts requires irrigation equipment to be shut off before a power outage to avoid damages to irrigation infrastructure. In 2022, South Africa experienced a record number of hours of power outages, which has had a negative impact on the agricultural sector as a whole, including growers of irrigated cane (see GAIN Report: [Load shedding and the Economic Strain on the Food Supply Chain](#)).

The sugar industry is anticipating challenges in the new season caused by the rising cost for fuel, inputs, labor (due to an increase in the minimum wage), and electricity. Nevertheless, sugar cane yields are expected to rebound to 74 MT/ha in the 2023/24 MY, up from 72 MT/ha in the 2022/23 MY, due to an expected return to normal weather conditions and improved performance of new cane varieties. **Figure 3** shows South Africa's sugar cane production from the 2001/02 MY through MY 2023/24 forecast, including the effects of drought from the 2014/15 through 2016/17 MY. **Table 1** shows cane yields in South Africa since the 2012/13 MY. Notably, the country's cane yields vary widely, from 30 MT/ha for dryland smallholder farmers in KwaZulu-Natal to about 95 MT/ha for farmers in the irrigated growing regions of Mpumalanga.

Figure 3: South African Sugar Cane Production



Sources: SACGA and Post forecasts

*Estimate **Forecast

Table 1: Sugar Cane Production and Yields in South Africa

MY	Area planted (Ha)	Area Harvested (Ha)	Cane Crushed (MT)	Yield (MT/Ha)
2012/13	371,662	257,095	17,278,020	67
2013/14	378,922	265,939	20,032,969	75
2014/15	381,707	272,590	17,755,504	65
2015/16	370,335	258,497	14,861,401	57
2016/17	360,000	260,000	15,074,610	58
2017/18	362,000	275,000	17,388,177	63
2018/19	364,041	247,385	19,031,688	77
2019/20	372,829	249,500	18,220,466	73
2020/21	360,800	250,000	17,199,179	69
2021/22	350,000	251,000	17,909,500	71
2022/23*	349,000	249,000	17,914,496	72
2023/24**	349,500	252,000	18,500,000	74

Sources: SACGA and Post forecasts

*Estimate **Forecast

Sugar cane growers in South Africa are paid by mills based on the quality of the sugar cane they deliver. Cane quality is measured using an industry agreed formula known as the Recoverable Value Tonnage (RVT). As a result, growers always aim to supply sugar cane that achieves the highest amount of sugar content that the mill can recover. The price paid to sugar cane growers also takes into account the net revenue obtained from the sale of sugar and molasses in the export and domestic markets. RV price is a function of the following factors: gross sugar production, local sugar notional prices, industry costs & special levy, sugar to RV ratio and export sugar price & exchange rate.

Table 2 shows that the RV sugar cane price paid to growers is forecast to increase by 6 percent to R5,735 per MT (\$315.38) in the 2023/24 MY, up from R5,435 per MT (\$298.89) in MY 2022/23, based on increased revenue from the growth in local market sales, as well as an expectation that two milling companies will be able to emerge from financial rescue after restructuring operations. However, export prices are negotiated in U.S. dollars and thus subject to fluctuations in the exchange rate. Depending on the outcome of business rescue proceedings for Tongaat and Gledhow, the forecasted RV for MY 2023/24 may be offset by financial distress of mills placed under business rescue. The initially forecasted RV price by SASA was R5,859.38 and due to the shortfall caused by the Tongaat and Gledhow mills, the final RV price declined by R424, or 8 percent, a loss which has been absorbed by growers across the industry.

Table 2: Sugar Cane Prices Paid to Growers

MY	Price	Percentage Change
	(Rands/ Recoverable Value Ton)	
2012/13	3,197.32	6%
2013/14	3,137.87	-2%
2014/15	3,437.97	10%
2015/16	3,979.22	16%
2016/17	4,931.31	24%
2017/18	4,187.11	-15%
2018/19	3,574.41	-15%
2019/20	4,220.58	18%
2020/21	5,030.39	19%
2021/22	5,500.00	9%
2022/23*	5,435.00	-1%
2023/24**	5,735.00	6%

Sources: SACGA and Post forecasts

*Estimate **Forecast

Table 3: Production, Supply, and Distribution (PS&D) for Sugar Cane

Sugar Cane for Centrifugal Market Year Begins South Africa	2021/2022		2022/2023		2023/2024	
	Apr 2021		Apr 2022		Apr 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	350	375	349	349	0	349
Area Harvested (1000 HA)	251	254	270	249	0	252
Production (1000 MT)	17199	17199	18362	17914	0	18500
Total Supply (1000 MT)	17199	17199	18362	17914	0	18500
Utilization for Sugar (1000 MT)	17199	17199	18362	17914	0	18500
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	17199	17199	18362	17914	0	18500
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post forecasts South African raw sugar production will increase by 9 percent to 2.17 million MT in the 2022/23 MY, up from 1.99 million MT in the 2021/22 MY, based on an increase in the quantity of cane delivered to the mills and consistent mill efficiencies (sugar 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. The percentage of sugar produced from each ton of sugar cane is estimated to increase to 11.75 percent in the 2023/24 MY, as shown in **Table 4**. Post revised downward MY 2022/23 sugar production estimate to 1.99 million MT, due to limited milling capacity with the permanent closure of two sugar mills and the heavy rains in April 2022 that waterlogged fields and delayed the start of the harvest in some areas resulting in lower quality cane. The April 2022 rains also damaged road infrastructure and caused delays in sugar deliveries to mills in some cases, which resulted in a reduction in recoverable sugar content in the cane.

Two sugar mills (Darnall and Umzimkulu) closed during the 2021/22 MY due to financial difficulties faced by the industry. The closure of the two sugar mills reduced the sugar industry's milling capacity and resulted in growers diverting their sugar cane to other mills, which means higher transport costs as cane is transported over longer distances, as well as deterioration of cane quality due to the longer period between harvesting and crushing. In October 2022 Tongaat Hulett entered into business rescue, followed by Gledhow in March 2023; however, Post contacts confirm that both mills will be able to crush cane in the 2023/24 MY.

Table 4: Sugar Production and Factory Recoveries in South Africa

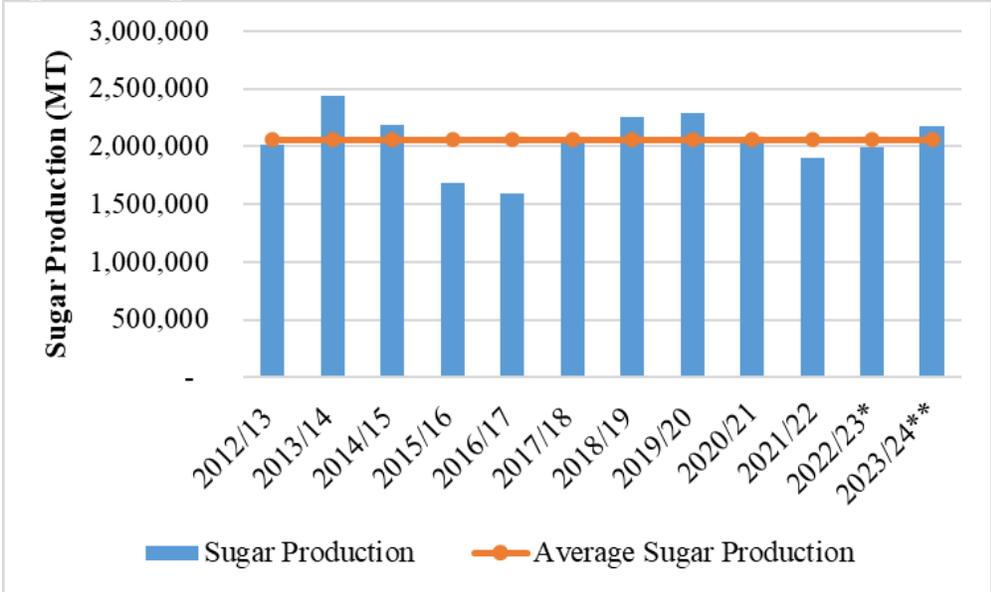
MY	Cane Crushed (MT)	Sugar Production (Tel Quel MT)	Sugar Production (Raw Value MT***)	Sugar/ Cane Ratio (Percentage)
2012/13	17,278,020	1,951,518	2,019,821	11.69%
2013/14	20,032,969	2,352,878	2,435,229	12.16%
2014/15	17,755,504	2,118,232	2,192,370	12.35%
2015/16	14,861,401	1,627,395	1,684,354	11.33%
2016/17	15,074,610	1,539,739	1,593,630	10.57%
2017/18	17,388,177	1,985,715	2,055,215	11.82%
2018/19	19,031,688	2,183,821	2,260,255	11.88%
2019/20	19,241,812	2,217,055	2,294,652	11.93%
2020/21	18,220,466	2,018,224	2,088,862	11.46%
2021/22	17,199,176	1,842,663	1,907,156	11.09%
2022/23*	17,914,496	1,926,826	1,994,265	11.13%
2023/24**	18,500,000	2,100,000	2,173,500	11.75%

*Estimate **Forecast ***Raw Value = Tel Quel x 1.035

Sources: SACGA, SASA, and Post estimates

Figure 4 shows that sugar production recovered from the drought conditions seen in the 2015/16 and 2017/18 MYs and is now hovering around the volumes seen a decade ago. However, sugar production has yet to reach the peak production level of 2.8 million MT recorded in the 2002/03 MY.

Figure 4: Sugar Production



Sources: SASA and Post forecasts

*Estimate **Forecast

Consumption

Post forecasts that domestic sugar consumption will increase by 1.5 percent to 1.78 million MT in the 2023/24 MY, up from 1.75 million MT in the 2022/23 MY. This is based on population growth and continued improvements in demand from the local food processing industry following various initiatives by the sugar industry master plan. The industry has able to increase demand by securing commitments from local food and beverage manufacturers to use domestic sugar.

Sugar in South Africa is primarily used for direct human consumption and for food manufacturing as an ingredient for beverages and confectionary products. The food processing demand for sugar accounts for 60 percent of total domestic sugar sales, while direct home consumption accounts for the other 40 percent. The per capita consumption of sugar in South Africa is about 45 kg per year, which is higher than most countries in the Southern Africa region whose per capita consumption is mostly below 30 kg per year. However, the South African per capita consumption is still much lower to than the United States, which has per capita consumption of between 68 to 77 kg per year. The retail price of brown and refined sugar in South Africa ranges from \$1.35 to \$1.70 per kg and is affordable to the majority of the population.

Under the [South African Sugarcane Value Chain Master Plan to 2030](#), the government and sugar industry aimed to boost domestic demand by 150,000 MT to 300,000 MT by the end of phase one of the plan, a three-year period that ended in March 2023. Industry confirms that it has achieved almost 280,000MT consumption increases over the three year-phase 1 period of the master plan.

Sugar consumption in South Africa has been affected by decreased demand from the beverage sector following the introduction of a tax on sugar-sweetened beverages in 2018, as well as an increase in the tax in 2019. Information on the impact of the sugar tax is available in Post's March 2019 GAIN report, [South African Sugar Industry Crushed by Not So Sweet Tax](#). South African cane farmers and sugar millers were relieved by the recent announcement that the South African government is delaying the next increase in the sugar tax by at least two fiscal years. Industry holds the view that there is no evidence that a sugar tax has led to a decline in the obesity and but rather the tax has led to the industry's loss of revenue and jobs. The industry plans to continue lobbying the South African government to remove the sugar tax to ensure increased domestic sales.

However, Post expects continued growth in the use of sweeteners based on the pace of ongoing investments by local producers—including sugar cane growers and milling companies—in the sweetener sector in response to consumer health trends. The trend by the beverage sector to reformulate their drinks to either avoid or minimize the impact of the sugar tax is expected to stabilize in the coming years, with many food manufacturers having already reduced their use of sugar and increased the use of sweeteners such as aspartame, stevia leaf extract, sucralose, and acesulfame potassium. The increased demand for sweeteners over the years has resulted in the growth of domestic production and exports of sweeteners from the country. Some sugar cane growers are in the process of investing in the production of the natural sweetener stevia as part of their diversification initiatives. Some sugar milling companies are also invested in the sweetener industry.

Trade

Exports

Post forecasts that total sugar exports will increase by 2 percent to 650,000 MT in MY 2023/24, up from 635,000 MT in the 2022/23 MY. This is based on increased exportable supply, and the depreciation of the South African rand. While exports of refined sugar are forecast to remain flat in MY2023/24, export growth will be driven by increased exports of raw sugar. Domestic prices for raw sugar tend to be higher than export prices due to policy support for domestic millers. However, the weak rand may make export prices more appealing in MY 2023/24. The South African rand depreciated on average by 22% between March 2022 (\$1=R14.98) and March 2023 (\$1=R18.27) due to South Africa's sluggish economic performance. MY 2022/23 exports were revised to 635,000 MT, based on the pace of exports through February 2023.

South Africa has always exported its surplus sugar regardless of the global price and sometimes at a loss because of the domestic sugar regulations, which stipulate that the price of cane paid to sugar cane growers should be based on revenue obtained from the sugar sales in the local and

export market. As a result, South Africa exports surplus sugar once the domestic market and the South African Customs Union (SACU) markets are adequately supplied. SACU members include South Africa, Namibia, Botswana, Lesotho, Eswatini, and Namibia.

Based on data through February 2023 for the 2022/23 MY, Malaysia (19 percent) is the main market for South African raw sugar, followed by Croatia (16 percent) and Spain (15 percent). Raw sugar exports to the EU accounted for 8 percent of total South African raw sugar exports in MY 2022/23 due to the annual duty-free quota of 150,000 MT that South Africa was granted under the EU-Southern Africa Development Community (SADC) Economic Partnership Agreement, implemented in 2016. South Africa also receives an annual duty-free quota for sugar of 71,000 MT under the Economic Partnership Agreement between the UK and SACU and Mozambique (SACUM-UK EPA) and it fills this quota every year. The United Kingdom (UK) accounts for 8 percent of total South African exports of raw sugar in MY 2022/23.

South Africa is also a beneficiary of the U.S. tariff-rate quota (TRQ), with an annual raw sugar allocation of 24,220 MT for fiscal year (FY) 2023 and an additional re-allocation of 6,782 MT. The TRQ amount has remained relatively constant over the last several years. The United States is a premium market for South African sugar, and South Africa utilizes its full quota allocation each year. The sugar industry marketing year runs from April to March, while the TRQ year runs from October to September, which results in the TRQ for two different FYs being recorded in one MY. South Africa exported 7 percent of its total raw sugar to the United States in MY 2022/23, as of February.

Table 5: Raw Sugar Exports

South Africa Exports to the World					
Commodity: 170111/170112/170113/170114					
Year Ending Plus: May – April					
Partner Country	Unit	2019/20	2020/21	2021/22	2022/23*
World	T	1,054,481	497,163	342,266	412,943
Malaysia	T	570,941	49,850	30,000	77,030
Croatia	T				66,000
Spain	T	-	-	53,500	60,000
Bulgaria	T	18,480	-	30,000	33,000
Portugal	T				33,000
United Kingdom	T	31,000	-	67,300	32,421
Romania	T	-	-	30,000	30,783
United States	T	26,285	47,356	28,119	29,794
Lesotho	T	13,252	14,501	14,295	13,439
Namibia	T	39,080	12,970	13,523	10,365
Madagascar	T	-	2,210	4,450	8,330
Unidentified	T	1	30,822	16,961	7,020
Mozambique	T	1,602	1,754	2,064	3,089
Zambia	T	6	2	6	2,924
Botswana	T	15,042	11,398	1,673	1,812
Sudan	T				1,430
Eswatini	T	180	360	2,770	1,035
Congo (DROC)	T	1,021	2,065	1,532	694
Congo (ROC)	T	-	-	2,340	546
Rwanda	T	-	-	6,731	206

Source: South African Revenue Service

*Export data through February 2023

Namibia, the UK, Mozambique, and Botswana are the main refined sugar export markets for South Africa. Refined sugar exports to the United States are inconsistent and minimal due to the absence of a guaranteed sugar quota allocation for refined sugar. The refined sugar quota allocations in the United States are based on a first-come, first-served basis and are usually utilized by South American countries including Mexico, Brazil, and Colombia. Please note, refined sugar exports are converted to raw sugar values in Post's PSD table using a factor of 1.07.

Table 6: Refined Sugar Exports

South Africa Exports to the World					
Commodity: HS170191, 170199					
Year Ending Plus: May – April					
Partner Country	Unit	2019/20	2020/21	2021/22	2022/23*
World	T	392,616	360,923	192,339	166,445
Namibia	T	58,521	60,461	56,778	66,431
United Kingdom	T	75,392	44,634	22,896	47,080
Mozambique	T	146,576	118,363	56,214	32,696
Botswana	T	30,312	18,621	22,510	9,316
Angola	T	5,745	6,036	5,828	5,660
Zimbabwe	T	51	1,716	274	2,238
Unidentified	T	35	5,328	4,644	1,008
Lesotho	T	3,392	4,429	3,612	841
Madagascar	T	29,153	23,907	12,167	594
Eswatini	T	74	42	3,107	291
Rwanda	T	0	3,650	700	156
Zambia	T	12	1,222	85	100
Comoros	T	2,412	2,900	1,666	0
Congo (DROC)	T	1,407	3,471	341	14
Ghana	T	1	16	7	9
Malawi	T	15	12	5	6
Seychelles	T	903	87	30	2
Tanzania	T	100	13,870	675	0
Kenya	T	500	10,267	588	0
Burundi	T	0	697	185	0
Saint Helena	T	9	6	24	0

Source: South African Revenue Service

*Export data through February 2023

Imports

Post forecasts that total sugar imports will drop by 4 percent to 365,000 MT in the 2023/24 MY, from 380,000 MT in the 2022/23 MY, based on the applied import tariff and commitments by South African manufactures and some retailers to utilize local sugar instead of imports.

Raw sugar imports from Eswatini accounted for 97 percent of total South African raw sugar imports in MY 2022/23 because Eswatini is part of SACU, and thus its imports are not subject to import duties. This is expected to continue in the 2023/24 MY. Other suppliers of raw sugar to South Africa include Mozambique, Mauritius, India, and Zambia. Raw sugar imports from Brazil and the United Arab Emirates only accounted for less than 1 percent of South African imports in the 2022/23 MY, down from 20 percent in the 2017/18 MY due to the impact of the increase in customs duties. The origin of United Arab Emirates sugar is believed to be from Brazil or India. Imports from Brazil and the United Arab Emirates fluctuate based on the level of customs duties applicable, as explained in the policy section at the bottom of this report.

Refined sugar imports are mainly from Thailand (44 percent), Eswatini (30 percent), United Arab Emirates (16 percent), and Brazil (5 percent).

Table 7: Raw Sugar Imports

South Africa Imports from the World					
Commodity: 170111/170112/170113/170114					
Year Ending Plus: May – April					
Partner Country	Unit	2019/20	2020/21	2021/22	2022/23*
World	T	379,289	369,764	361,860	264,868
Eswatini	T	352,647	351,622	329,219	256,868
Mozambique	T	2,521	4,172	4,552	4,227
United Arab Emirates		-	-	-	1,920
Mauritius	T	70	252	1,403	1,028
India	T	11,365	817	6	271
Zambia	T	224	3,756	15,011	136
Unidentified	T	1,811	135	92	147
Botswana	T	139	9	34	103
Germany	T	104	83	62	103
Brazil	T	1,485	2,914	4,382	58
Belgium	T	245	5	-	6
Taiwan	T	-	1	11	1

Source: South African Revenue Service

*Import data through February 2023

Table 8: Refined Sugar Imports

South Africa Imports from the World					
Commodity: HS170191, 170199					
Year Ending Plus: May – April					
Partner Country	Unit	2019/20	2020/21	2021/22	2022/23*
World	T	102,413	79,429	43,573	63,552
Thailand	T	752	1	0	27,992
Eswatini	T	39,232	25,900	21,276	18,820
United Arab Emirates	T	1,445	1,980	1,980	10,013
Brazil	T	23,422	30,571	10,718	2,922
Germany	T	555	1,009	1,334	1,025
Egypt	T	0	0	0	960
India	T	7,850	1,421	8	544
Botswana	T	69	204	2,936	309
Zambia	T	15,820	10,914	237	307
Morocco	T	0	0	0	288
Unidentified	T	1,522	35	189	153
United Kingdom	T	81	109	69	139
Namibia	T	433	102	95	48

Source: South African Revenue Service

*Import data through February 2023

Stocks

Post estimates that South Africa's ending sugar stocks will increase to 196,000 MT in the 2023/24 MY, from 101,000 MT in the 2022/23 MY, based on increased production. All sugar produced in each marketing year is sold at the end of the season for the industry to share the revenue between growers and millers, per the agreed division of proceeds formulas (more information in policy section at the bottom of this report). Large volumes of closing stocks also pose a cost to the industry, as growers and millers must pay for the storage of such sugar.

Table 9: Production, Supply, and Distribution (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
South Africa						
Beginning Stocks (1000 MT)	168	168	131	131	0	101
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1906	1906	2042	1994	0	2174
Total Sugar Production (1000 MT)	1906	1906	2042	1994	0	2174
Raw Imports (1000 MT)	320	320	300	307	0	300
Refined Imp.(Raw Val) (1000 MT)	60	60	43	72	0	65
Total Imports (1000 MT)	380	380	343	379	0	365
Total Supply (1000 MT)	2454	2454	2516	2504	0	2640
Raw Exports (1000 MT)	370	370	400	452	0	470
Refined Exp.(Raw Val) (1000 MT)	225	225	200	183	0	180
Total Exports (1000 MT)	595	595	600	635	0	650
Human Dom. Consumption (1000 MT)	1710	1710	1750	1750	0	1776
Other Disappearance (1000 MT)	18	18	18	18	0	18
Total Use (1000 MT)	1728	1728	1768	1768	0	1794
Ending Stocks (1000 MT)	131	131	148	101	0	196
Total Distribution (1000 MT)	2454	2454	2516	2504	0	2640
(1000 MT)						

Trade Policy and Regulations:**U.S. Sugar Tariff-Rate Quota Allocation**

South Africa is a beneficiary of the U.S. sugar TRQ, which allows the country to export raw sugar duty-free to the United States. The United States is considered a premium market for South African raw sugar exports due to the higher purchase prices. South Africa's TRQ allocation has remained relatively constant over the last several years, and the country always utilizes its full allocation and any additional reallocations each year.

EU and UK Sugar Quotas and Policies

South Africa was granted an annual duty-free sugar quota of 150,000 MT for export to the EU under the SADC-EU Economic Partnership Agreement, which was finalized in October 2016. In the 2022/23 MY, South Africa fully utilized the EU quota due to favorable prices and increased demand in the EU market. Since the United Kingdom left the EU in 2020, South Africa has also received an annual duty-free quota for sugar of 71,000 MT under the Economic Partnership Agreement between the UK and SACU and Mozambique (SACUM-UK EPA)

Import Restrictions Based on the Dollar-Based Reference Price

South Africa applies the Dollar-Based Reference Price (DBRP) mechanism to ensure that, inclusive of the duty, the DBRP (currently \$680 per ton) is the lowest price that an importer will pay for imported sugar. If 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 duty owed. The DBRP was increased from \$566 to \$680 per ton in August 2018 to restrict increased imports from

Brazil and the United Arab Emirates, and because the DBRP of \$566 per ton was below the cost of sugar production in South Africa. Due to low global sugar prices, all imports of sugar below the DBRP into South Africa currently attract a customs duty of 195.28c/kg (\$0.05/kg), as shown in **Table 10**.

Table 10: 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

Tax on Sugar-Sweetened Beverages

The South African government legislated a Health Promotion Levy (sugar tax) in 2017 with an objective to cut obesity levels. The levy is currently 2.1 cent per gram of the sugar content that exceeds 4 grams per 100ml or about 10% of the price of sugary drinks. In 2020 an announcement was made that there would be an increase in the levy, however the finance minister postponed the increase to April 2023 to allow for engagement with the industry. SA canegrowers, which represent farmers wrote to the Ministry of Finance, requesting data used to justify the introduction of the levy and proof that the tax has reduced obesity levels. Other analysts state it is still too early to produce this kind of data and it would take generations to see any changes in society. Additional information on the impact of the sugar tax is available in Post's March 2019 GAIN report, [South African Sugar Industry Crushed by Not So Sweet Tax](#). In February 2023, the Minister of Finance announced that increases to the sugar tax would be postponed for another two fiscal years. The Ministry cited the impact of flooding and social unrest on the sugar industry as reasons for the decision.

South African Sugarcane Value Chain Master Plan to 2030

On November 17, 2020, the Department of Trade, Industry and Competition (DTIC); the Department of Agriculture, Land Reform and Rural Development (DALRRD); and industry stakeholders signed off on the [South African Sugar Industry Master Plan](#). The creation of

industry master plans has become a common measure to support various sectors in South Africa. For example, the poultry industry also has a master plan. In general, master plans provide a comprehensive set of actions designed to achieve common policy objectives. The plans also provide guidance on policies, support, strategies, and actions required to achieve specified targets. The South African Sugar Industry Master Plan's vision for 2030 is "a diversified and globally competitive, sustainable and transformed sugar cane-based value chain that actively contributes to South Africa's economic and social development, creating prosperity for stakeholders in the sugar cane value chain, the wider bio-economy, society, and the environment."

The objective of the master plan is to ensure the long-term sustainability and profitability of the sugar sector in South Africa. For the three-year Phase 1 stage (ended in March 2023) of the master plan, the aim was to increase domestic use of sugar by 300,000 MT by having local manufacturers prioritize South African sugar instead of imports to make their products. As of late March 2023, industry sources shared that domestic consumption had increased by 280,000 MT in Phase 1, just shy of the target. Other aims of the plan include increasing import protections, developing small-scale growers, supporting production diversification, and the potential restructuring of the industry. The master plan has been widely welcomed by the industry and is seen as a step toward highlighting the declining status of the South African sugar industry and the necessary actions to address these challenges. However, the success of the master plan will require extensive cooperation, effective implementation, and a pragmatic approach to the challenges inherent in the plan and the sugar industry. The Sugar Industry Master Plan is not expected to impact South Africa's ability to fill its allocation under the U.S. TRQ for raw sugar.

Sugar Marketing and Sales

The South African Sugar Association (SASA) is by law the only organization permitted to export raw sugar produced in South Africa. Sugar milling companies are only permitted to export refined sugar. South Africa always exports its surplus raw sugar, regardless of the global prices and sometimes at a loss because domestic sugar regulations stipulate that the price paid to sugar cane growers should be based on revenue obtained from the sugar sales in the local and export market for that specific season. The South African sugar industry provides a rebate (discount) to domestic manufactures to promote the sale and use of locally produced sugar.

SASA requires two types of funding; working capital to run operations throughout the year, which is sourced through industry levies, and end-of- season funding to purchase carry-over sugar, which mostly sits with the mills. The latter presents a challenge for the industry as SASA was unable to secure a loan in MY 2022/23 due to the business rescue taking place for two milling companies. The companies placed under business rescue defaulted on proceeds meant for redistributions and levies which led to a decline in RV price. Because the final RV price needs to be paid by end of season, March 31, other milling companies, and growers covered the shortfall. To prevent a subsequent default, the industry is considering seeking loans only for the volumes in the export terminal, although, according to Post contacts, no final decision has been reached.

Electricity Co-generation

The South African sugar industry currently uses bagasse to generate electricity for milling operations. None of the electricity generated from the sugar mills is supplied to the national electric grid due to the absence of appropriate incentives and policies by the government or the state-owned electric company (Eskom). However, unprecedented levels of load shedding, or rolling backouts, has caused electrical generation to come to the forefront of national policy discussion (see GAIN Report: [Load shedding and the Economic Strain on the Food Supply Chain](#)). Although Post is unaware of any specific plans to integrate sugar mills into the national grid at this time, the national crisis could lead to consideration of options that were previously on the backburner. The industry's ability to generate its own electricity has allowed millers to avoid the escalation of generator and fuel costs and shutdowns of operations experienced by others in the South African agricultural sector.

Ethanol Production

There is currently no commercial production of fuel-grade ethanol from sugar cane in South Africa. However, some of the sugar mills produce beverage-grade ethanol and industrial alcohols as by-products or back-end products from molasses. The production of ethanol and other products is expected to change when the master plan is implemented effectively. There are discussions of piloting ethanol production at a vacant refinery in KwaZulu Natal, however no concrete plans have emerged.

Report Sources:

Illovo Sugar Company - www.illovo.co.za

RCL Sugar Company - <https://rclfoods.com>

South African Canegrowers Association - www.sacanegrowers.co.za

South African Farmers Development Association -

www.sasugarindustrydirectory.co.za/growers/safda

South African Sugar Association - www.sasa.org.za

Attachments:

No Attachments