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Global Agricultural Information Network

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Zimbabwe

Sugar Annual

The supply and demand for sugar in Zimbabwe

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Report Highlights:

Post forecasts that sugar cane production in Zimbabwe will decrease by five percent to 3,180 Million MT in the 2016/17 MY. This will result in a three percent decrease in sugar production to 400,000 MT in the 2016/17 MY. The decrease in sugar production and low stock levels is forecasted to result in a 32 percent decrease in exports to 110,000 MT in the 2016/17 MY.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Executive Summary

Post forecasts that sugar cane production in Zimbabwe will decrease by five percent to 3,180 Million MT in the 2016/17 MY, from 3,348 Million MT in the 2015/16 MY, based on lower cane yields due to the drought conditions that have affected irrigation water availability. As a result, sugar production is forecasted to decrease by three percent to 400,000 MT in the 2016/17 MY, from 412,000 MT in the 2015/16 MY.

Post forecasts that sugar consumption in Zimbabwe will marginally decrease by less than one percent to 340,000 MT in the 2016/17 MY, from 342,000 MT in the 2015/16 MY due to the prevailing difficult economic conditions, namely, high levels of unemployment, liquidity challenges and low disposable income.

Post forecasts that sugar imports will decrease by eight percent to 35,000 MT in the 2016/17 MY, from 38,028 MT in the 2015/16 MY based on the available stocks and the drive by the industry to address the sugar refining quality issues, and an increase in the local manufacture of bottler grade industrial white sugar in 2016.

Post forecasts that Zimbabwe sugar exports will decrease by 32 percent to 110,000 MT in the 2016/17 MY, from 160,662 MT in the 2015/16 MY, as a result of the low stocks available and the decrease in sugar production. It is forecasted that Zimbabwe will be able to satisfy the 2016/17 MY United States Tariff Rate Quota (TRQ) allocation based on the production forecast, and assumption that the TRQ will remain economically viable for Zimbabwe.

Sources:

www.tonga.com

Background

Sugar cane in Zimbabwe is grown under full irrigation mainly in the lowveld area of Triangle, Chiredzi District, in the Masvingo Province, located South-East of the country. About 80% of Zimbabwe's sugar cane crop is produced by two large estates, namely, the Triangle Sugar Estate and Hippo Valley Estate. South African sugar company, Tongaat-Hulett owns 100% of the Triangle Sugar Estate and about 50.3% of the Hippo Valley Estate. Private farmers who comprise large scale farmers and newly resettled farmers together produce about 20 percent of the country's sugar cane crop.

There are only two sugar mills in Zimbabwe, the Hippo Valley Estates Ltd and Triangle Estates Ltd, with a combined sugar production capacity of about 640,000 MT and installed milling capacity of 4.8 million tons of sugar cane per annum. Currently, Zimbabwe has two sugar refineries, namely, the Triangle Sugar Refinery which is a back end refinery and an independent sugar refinery called Star Africa Sugar Refinery Ltd.

Sugar cane:

Production

Post forecasts that sugar cane production in Zimbabwe will decrease by five percent to 3,180 Million MT in the 2016/17 MY, from 3,348 Million MT in the 2015/16 MY based on the lower cane yields due to the drought conditions that have affected irrigation water availability. The water levels for the three dams (Mutirikwi-Tokwe; Manjirenji-Siya; and Manyuchi) supplying irrigation water to sugar farms are currently estimated at between 30 – 65%. The 2014/15 MY sugar cane production remains unchanged at 3,856 Million MT based on final industry data.

Post forecasts that the area of cane harvested in Zimbabwe will decrease by three percent to 42,000 hectares (ha) in the 2016/17 MY, from 43,094 ha in the 2015/16 MY due to the irrigation water restrictions. The 2014/15 MY area harvested remains unchanged at 43,121 ha based on industry data.

Table 1 below summarizes the production of sugar cane in Zimbabwe from the 2014/15 MY to 2016/17 MY.

Table 1: The production of sugar in Zimbabwe

| Marketing Year | Area harvested (ha) | Cane crushed (MT) | Yield MT/ha | Sugar production* (MT) | Cane/sugar ratio |
|----------------|---------------------|-------------------|-------------|------------------------|------------------|
| 2016/17** | 42,000 | 3,180,000 | 75.7 | 400,000 | 8.0 |
| 2015/16* | 43,094 | 3,348,000 | 77.7 | 412,000 | 8.1 |
| 2014/15 | 43,121 | 3,856,000 | 89.4 | 445,000 | 8.7 |

**Forecast, *Estimate.

Table 2: PSD Table for sugar

| Sugar Cane for Centrifugal Market Begin Year Zimbabwe | 2014/2015 | | 2015/2016 | | 2016/2017 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2014 | | Apr 2015 | | Apr 2016 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 46 | 44 | 50 | 44 | 0 | 44 |
| Area Harvested | 43 | 43 | 46 | 43 | 0 | 42 |
| Production | 3,856 | 3,856 | 4,453 | 3,348 | 0 | 3,180 |
| Total Supply | 3,856 | 3,856 | 4,453 | 3,348 | 0 | 3,180 |
| Utilization for Sugar | 3,856 | 3,856 | 4,453 | 3,348 | 0 | 3,180 |
| Utilizing for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization | 3,856 | 3,856 | 4,453 | 3,348 | 0 | 3,180 |
| | | | | | | |
| (1000 HA) ,(1000 MT) | | | | | | |

Sugar:

Production

Post forecasts that sugar production in Zimbabwe will decrease by three percent to 400,000 MT in the 2016/17 MY, from 412,000 MT in the 2015/16 MY based on the decrease in the sugar cane crop. The 2014/15 MY sugar production has been marginally revised upwards to 445,000 MT based on industry data.

Consumption

Post forecasts that sugar consumption in Zimbabwe will marginally decrease by less than one percent to 340,000 MT in the 2016/17 MY from 342,000 MT in the 2015/16 MY due to the prevailing difficult economic conditions, namely, high levels of unemployment, liquidity challenges and low disposable income. The two main categories of consumers are manufacturers (beverages, confectioners, bakers and pharmaceuticals) and households. Domestic white sugar consumption is usually 30% and the remaining 70% of domestic consumption is brown sugar.

Table 3 below shows the breakdown of Zimbabwe sugar sales.

Table 3: Zimbabwe Sugar Sales

| | White | Brown | Total |
|----------|--------|---------|---------|
| 2016/17* | 38,000 | 267,000 | 305,000 |
| 2015/16 | 38,028 | 266,437 | 304,465 |

*Forecast

Trade: Exports

Post forecasts that Zimbabwe sugar exports will decrease by 32 percent to 110,000 MT in the 2016/17 MY, from 160,662 MT in the 2015/16 MY, as a result of the low stocks available and the decrease in sugar production. The main export destinations for Zimbabwe sugar are the United States, European Union and Southern Africa, namely Botswana. As shown in **Table 4**, Zimbabwe exported 12,106 MT raw sugar to the United States to fulfill the 2015/16 MY Tariff Rate Quotas (TRQ). It is forecasted that Zimbabwe will be able to satisfy the 2016/17 MY United States Tariff Rate Quota (TRQ) allocation based on the production forecast, and assumption that the TRQ will remain economically viable for

Zimbabwe. A total of 132,408 MT comprising 126,061MT raw sugar and 6,347 MT refined sugar was exported to the EU in the 2015/16 MY under the EU/SADC preferential trade arrangement. The duty-free and quota-free access for Zimbabwean sugar to the EU is still in place and will remain in force up to October 2017.

Table 4: Zimbabwe sugar exports

| | 2014/15 MY | | | 2015/16 MY | | |
|--------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|
| | Raw Sugar (MT) | Refined Sugar (MT) | Total exports (MT) | Raw Sugar (MT) | Refined Sugar (MT) | Total exports (MT) |
| USA | 23,980 | 0 | 23,890 | 12,106 | - | 12,106 |
| EU | 183,160 | 0 | 183,160 | 126,061 | 6,347 | 132,408 |
| Botswana | 0 | 0 | 0 | 9,801 | 6,347 | 16,148 |
| Total | 207,140 | 0 | 207,140 | 147,968 | 12,694 | 160,662 |

Imports

Post forecasts that sugar imports will decrease by eight percent to 35,000 MT in the 2016/17 MY, from 38,028 MT in the 2015/16 MY based on the available stocks and the drive by the industry to address the sugar refining quality issues, and an increase in the local manufacture of bottler grade industrial white sugar in 2016. The 2014/15 MY sugar imports remain unchanged at 40,984 MT based on industry data. Tariffs on sugar imports introduced by the Zimbabwean government in 2014 to protect the domestic industry have resulted in the gradual decrease in sugar imports. **Table 5** below shows the breakdown of sugar imports from various countries.

Table 5: Zimbabwe sugar imports

| | 2014/15 MY | | | 2015/16 MY | | |
|--------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|
| | Raw Sugar (MT) | Refined Sugar (MT) | Total exports (MT) | Raw Sugar (MT) | Refined Sugar (MT) | Total exports (MT) |
| South Africa | 7,784 | 26,921 | 34,705 | 260 | 18,226 | 18,486 |
| Swaziland | 0 | 346 | 346 | 0 | 7,517 | 7,517 |
| Malawi | 0 | 0 | 0 | 6,510 | 180 | 6,690 |
| India | 393 | 0 | 393 | 5,207 | 0 | 5,207 |
| Zambia | 1,882 | 28 | 1,910 | 0 | 128 | 128 |
| Botswana | 240 | 0 | 240 | 0 | 0 | 0 |
| Other | 3,390 | 0 | 3,390 | 0 | 0 | 0 |
| Total | 13,689 | 27,295 | 40,984 | 11,977 | 26,051 | 38,028 |

Table 6: PSD Table for sugar

| Sugar, Centrifugal | 2014/2015 | 2015/2016 | 2016/2017 |
|--------------------|------------|------------|------------|
| Market Begin Year | April 2014 | April 2015 | April 2016 |
| | | | |

| Zimbabwe | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
|------------------------|---------------|----------|---------------|----------|---------------|----------|
| Beginning Stocks | 142 | 142 | 69 | 71 | 0 | 19 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 443 | 445 | 506 | 412 | 0 | 400 |
| Total Sugar Production | 443 | 445 | 506 | 412 | 0 | 400 |
| Raw Imports | 14 | 14 | 10 | 12 | 0 | 12 |
| Refined Imp.(Raw Val) | 27 | 27 | 15 | 26 | 0 | 23 |
| Total Imports | 41 | 41 | 25 | 38 | 0 | 35 |
| Total Supply | 626 | 628 | 600 | 521 | 0 | 454 |
| Raw Exports | 207 | 207 | 200 | 148 | 0 | 100 |
| Refined Exp.(Raw Val) | 0 | 0 | 0 | 12 | 0 | 10 |
| Total Exports | 207 | 207 | 200 | 160 | 0 | 110 |
| Human Dom. Consumption | 350 | 350 | 350 | 342 | 0 | 340 |
| Other Disappearance | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Use | 350 | 350 | 350 | 342 | 0 | 340 |
| Ending Stocks | 69 | 71 | 50 | 19 | 0 | 4 |
| Total Distribution | 626 | 628 | 600 | 521 | 0 | 454 |
| | | | | | | |
| (1000 MT) | | | | | | |

Policies and Regulations:

Customs Duties

In 2014, the Zimbabwe government passed a 10% customs duty and \$100/ton surtax on all sugar imports from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) in a bid to protect the local industry from an influx of sugar imports.

Import permits

In 2014, the government also confirmed that no raw sugar import permits would be issued from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). However, this import permit restriction, does not apply to sugar imports intended to satisfy the requirements for bottler grade sugar.

National Indigenization and Economic Empowerment Policy

Zimbabwe is in the process of implementing the National Indigenization and Economic Empowerment Policy, which is widely known for its requirement that government or its designated entities will hold a 51% ownership stake in businesses, with the remaining 49%, belonging to the partnering investor(s). However, following conflicting positions on interpretations of the indigenization policy within the Zimbabwe government and business community, a statement was issued by the President of Zimbabwe on April 12, 2016 to clarify the indigenization policy. [Click here for the link to the statement.](#) The National Indigenization and Economic Empowerment policy distinguishes three economic sectors, namely, the Natural Resources Sector, Non-Resources Sector and the Reserved Sector. These sectors are to be approached differently in terms of the implementation and compliance with the indigenization policy. The sugar industry falls within the Non-Resources Sector, which recognizes alternative measures of compliance such as contribution to the socio-economic transformation of the economy,

through beneficiation of local raw materials; transfer of technology; employment creation; enterprise development; and employee share ownership. Post contacts have indicated that the sugar industry will likely comply with the indigenization policy and that sugar production is unlikely to be negatively impacted. However, uncertainties still remain as the President indicated that government shall, from time to time make changes to the current regulations.