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# South Africa - Republic of

# Sugar Semi-annual

# Drought causes the lowest South African sugar production estimate in 20 years

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**Report Highlights:**
The impact of the current season and the 2014/15 MY drought to the sugar industry is worse than forecasted at the beginning of the year. Post estimates that the 2015/16 MY sugar cane crop will decrease significantly by sixteen percent to 15 MMT, and the sugar production will also decrease by twenty percent to 1.69 MMT (1.75 MMTRV) in the 2015/16 MY. This is the lowest South African sugar production in the last twenty years.

**Commodities:**
Sugar Cane for Centrifugal
Sugar, Centrifugal

## Executive Summary

Post estimates that the South African 2015/16 MY sugar cane crop will decrease significantly by 16 percent to 15 MMT due to the current and previous season drought. The decrease in the sugar cane crop is expected to result in a 20 percent decrease in the 2015/16 MY sugar production to 1.69 MMT (1.75 MMTRV), from 2.1 MMT (2.19 MMTRV) in the 2014/15 MY.

Post forecasts that South Africa will have sufficient stocks to export about 490,000 MTRV of sugar in the 2015/16 MY, a thirty seven percent decrease from the 2014/15 MY exports of 772,708 MTRV, based on the decrease in sugar production.

Post forecasts that sugar imports for the 2015/16 MY will decrease by eleven percent to 450,000 MTRV from the 2014/15 MY imports of 505,927 MTRV based on the high import duties levied against non-SACU sugar imports.

**Sources**

| | |
|---|---|
| South African Sugar Association | http://www.sasa.org.za |
| Illovo Sugar Company | http://www.illovo.co.za |
| Tongaat Hulett Sugar | http://www.huletts.co.za |
| Tsb | http://www.tsb.co.za |
| South African Canegrowers | http://www.sacanegrowers.co.za |
| South African Revenue Services | www.sars.gov.za |
| Department of Energy | www.energy.gov.za |

**Exchange Rate**
US$1=R13.7 (09/29/2015)

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 significantly decrease by sixteen percent to 15 MMT in the 2015/16 MY, from 17,8 MMT in the 2014/15 MY as a result of drought in the Kwa-Zulu Natal (KZN) province. The impact of the current season and previous season drought conditions have been worse than forecasted at the beginning of the season, and will result in the lowest South African sugar production in the last twenty years. The 2014/15 MY and 2013/14 MY sugar cane production remains unchanged at 17.8 MMT and 20 MMT, respectively. **Table 1** below illustrates the sugar cane production statistics from the 2012/13 MY to the 2015/16 MY.

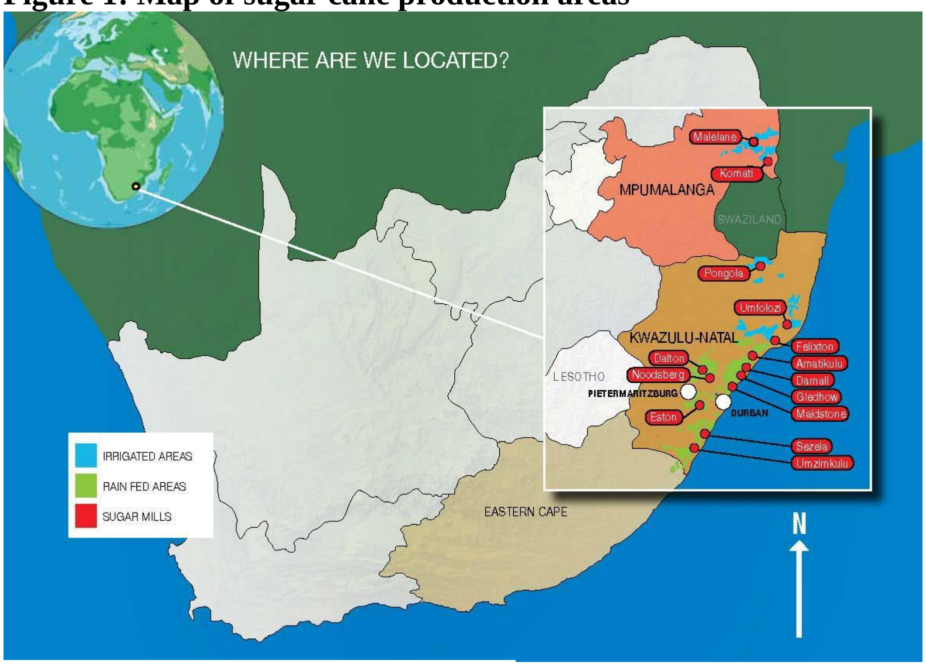
**Table 1: The production of sugar cane in South Africa**

| Marketing years | Area planted (HA) | Area harvested (HA) | Yield (MT/HA) | Cane crushed (MT) | Sugar production (Tel Quel MT*) | Cane/sugar ratio |
|---|---|---|---|---|---|---|
| **2012/13** | 371,662 | 257,095 | 63.6 | 17,278,020 | 1,951,518 | 8.9 |
| **2013/14** | 378,922 | 265,939 | 70.2 | 20,032,969 | 2,352,878 | 8.5 |
| **2014/15** | 381,707 | 272,590 | 65.8 | 17,755,504 | 2,118,232 | 8.4 |
| **2015/16 (Estimate)** | 360,000 | 250,000 | 60.0 | 15,000,000 | 1,690,000 | 8.9 |

***Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value
Source: South African 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 | 2013/2014 | | 2014/2015 | | 2015/2016 | |
|---|---|---|---|---|---|---|
| Market Begin Year | Apr 2013 | | Apr 2014 | | Apr 2016 | |
| South Africa | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** | 375 | 379 | 370 | 382 | 360 | 360 |
| **Area Harvested** | 285 | 266 | 270 | 273 | 260 | 250 |
| **Production** | 20,033 | 20,033 | 17,756 | 17,756 | 17,700 | 15,000 |
| **Total Supply** | 20,033 | 20,033 | 17,756 | 17,756 | 17,700 | 15,000 |
| **Utilization for Sugar** | 20,033 | 20,033 | 17,756 | 17,756 | 17,700 | 15,000 |
| **Utilization for Alcohol** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Utilization** | 20,033 | 20,033 | 17,756 | 17,756 | 17,700 | 15,000 |
| (1000 HA) ,(1000 MT) | | | | | | |

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

## Sugar

### Production

Post forecasts that the 2015/16 MY sugar production will significantly decrease by twenty percent to 1.69 MMT (1.75 MMTRV), from the 2014/15 MY sugar production of 2.12 MMT (2.19 MMTRV), based on the decrease in the sugar cane crop due to drought. The 2014/15 MY and 2013/14 MY sugar production remain unchanged at 2.12 MMT (2.19 MMTRV) and 2.35 MMT (2.44 MMTRV), respectively, 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

The South African Customs Union (SACU) is the primary market for the South African sugar industry. Post forecasts that the 2015/16 MY sugar supply by South Africa to SACU will decrease by 6 percent to1.589 MMT (1.700 MMTRV), based on the low economic growth forecasts in the region and the decrease in sugar production. Post revised upwards the 2014/15 MY sugar sales to 1.686 MMT (1.804 MMTRV) based on updated industry data. The 2013/14 MY sugar sales remain unchanged at 1.550 MMT (1.658 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 * | 2012/13 | 2013/14 | 2014/15 | 2015/16** |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| White sugar | 1,200,970 | 1,156,505 | 1,279,372 | 1,209,000 |
| Brown sugar | 409,712 | 393,409 | 406,737 | 380,000 |
| **Total sales** | **1,610,682** | **1,549,914** | **1,686,109** | **1,589,000** |
| Direct sales | 877,553 | 788,553 | 847,004 | 873,950 |
| Industrial sales | 733,128 | 761,361 | 839,105 | 715,050 |
| **Total sales** | **1,610,681** | **1,549,914** | **1,686,109** | **1,589,000** |
| **MTRV** | **1,723,429** | **1,658,408** | **1,804,137** | **1,700,230** |

*Refined x 1.07 = Raw value, ** Estimate.
Source: South African Sugar Association, and Post estimates

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**

South Africa only exports surplus sugar after supplying the domestic market, including SACU. Post forecasts that South Africa will have enough stocks to export about 490,000 MTRV of sugar in the 2015/16 MY based on the decrease in sugar production and the available stocks. Post revised the 2014/15 MY exports to 772,708 MTRV based on the updated Global Trade Atlas (GTA) data. The 2013/14 MY, exports remains unchanged at 868,227 MTRV.

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, as witnessed by decreases in raw sugar exports in drought years of the 2012/13 MY and 2014/15 MY. 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 2013/14 MY and 2014/15 MY, export trade statistics now includes SACU exports as per Global Trade Atlas (GTA) data.

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

| South Africa Export Statistics | | | | |
|---|---|---|---|---|
| Commodity: Sugar Raw, (HS170111, 170112, 170113, 170114) | | | | |
| Year Ending: March | | | | |
| Partner Country | Unit | Quantity | | |
| | | 2013 | 2014 | 2015 |
| World | T | 126,992 | 527,785 | 408,343 |
| Namibia | T | 2,009 | 33,321 | 110,049 |
| Bangladesh | T | 0 | 0 | 73,650 |
| United States | T | 23,216 | 0 | 46,410 |
| Japan | T | 30,000 | 121,000 | 30,000 |
| Malaysia | T | 0 | 0 | 27,550 |
| Australia | T | 0 | 28,200 | 26,012 |
| Botswana | T | 0 | 14,998 | 24,049 |

| | | | | |
|---|---|---|---|---|
| Indonesia | T | 36,000 | 197,297 | 20,000 |
| Mozambique | T | 9,843 | 20,472 | 17,641 |
| Lesotho | T | 0 | 7,378 | 16,242 |
| Romania | T | 0 | 0 | 8,800 |
| Yemen | T | 33 | 10 | 4,283 |
| Zimbabwe | T | 20,775 | 46,980 | 1,906 |

Source: Global Trade Atlas (GTA)

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

| South Africa Export Statistics | | | | |
|---|---|---|---|---|
| Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191 | | | | |
| Year Ending: March | | | | |
| Partner Country | Unit | Quantity | | |
| | | 2013 | 2014 | 2015 |
| World | T | 213,774 | 318,170 | 340,528 |
| Mozambique | T | 58,600 | 95,699 | 107,432 |
| Kenya | T | 6,464 | 10,827 | 44,621 |
| Zimbabwe | T | 36,958 | 57,485 | 43,260 |
| Angola | T | 43,215 | 42,235 | 41,330 |
| Botswana | T | 34 | 16,520 | 37,837 |
| Madagascar | T | 25,973 | 20,641 | 17,305 |
| Uganda | T | 13,750 | 10,101 | 7,841 |
| Ghana | T | 1,638 | 4,821 | 6,155 |
| Congo Dem. Rep. | T | 4,415 | 4,041 | 5,912 |
| Namibia | T | 4,341 | 2,605 | 5,810 |
| Lesotho | T | 0 | 1,342 | 5,549 |
| Tanzania | T | 9 | 16,943 | 4,609 |
| Comoros | T | 3,492 | 3,406 | 4,092 |
| Mayotte | T | 1,416 | 2,234 | 2,386 |
| Benin | T | 400 | 0 | 1,025 |

Source: GTA

**Imports**

Post forecasts that the 2015/16 MY imports will decrease by eleven percent to 450,000 MT based on the weak rand against the US$, and the increases in sugar customs duty for non- SACU imports. Post revised the 2014/15 MY imports to 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, as 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.

**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 | | |
| | | 2013 | 2014 | 2015 |
| World | T | 43,116 | 207,795 | 352,179 |
| Swaziland | T | 0 | 100,743 | 300,390 |
| Brazil | T | 40,672 | 98,053 | 30,554 |
| Zambia | T | 30 | 0 | 8,798 |
| Thailand | T | 2,000 | 5,658 | 7,906 |
| India | T | 264 | 2,478 | 1,604 |
| Guatemala | T | 0 | 0 | 1,250 |
| Other Countries NES | T | 0 | 416 | 850 |
| Namibia | T | 0 | 268 | 569 |

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 | | |
| | | 2013 | 2014 | 2015 |
| World | T | 163,965 | 365,399 | 143,690 |
| Brazil | T | 146,412 | 315,438 | 93,699 |
| Swaziland | T | 0 | 10,031 | 28,604 |
| Malawi | T | 0 | 0 | 8,290 |
| Zambia | T | 0 | 0 | 6,694 |
| India | T | 4,204 | 4,641 | 5,343 |
| Thailand | T | 9,315 | 3,980 | 459 |
| Netherlands | T | 3 | 135 | 185 |
| Pakistan | T | 0 | 125 | 130 |
| Botswana | T | 0 | 82 | 109 |
| United Kingdom | T | 90 | 135 | 88 |
| Mauritius | T | 0 | 0 | 21 |
| Belgium | T | 30 | 44 | 16 |
| United States | T | 665 | 5 | 12 |
| China | T | 3 | 2 | 11 |

Source: GTA

## Stocks

Post forecasts that the 2015/16 MY ending stocks of sugar will decrease by 47 percent to 223,000 MT, based on the reduction in sugar production, and decreases in imports. South Africa`s ending stock levels were revised upwards to 424,000 MT in the 2014/15 MY based on the worse than expected industry sales, and the impact of high imports prior to the increase in customs duties.

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

| Sugar, Centrifugal | 2013/2014 | | 2014/2015 | | 2015/2016 | |
|---|---|---|---|---|---|---|
| Market Begin Year | May 2013 | | May 2014 | | May 2015 | |
| South Africa | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** | 189 | 189 | 460 | 460 | 344 | 424 |
| **Beet Sugar Production** | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cane Sugar Production** | 2,435 | 2,435 | 2,116 | 2,192 | 2,050 | 1,749 |
| **Total Sugar Production** | 2,435 | 2,435 | 2,116 | 2,192 | 2,050 | 1,749 |
| **Raw Imports** | 208 | 208 | 327 | 352 | 300 | 350 |
| **Refined Imp.(Raw Val)** | 391 | 391 | 90 | 154 | 40 | 100 |
| **Total Imports** | 599 | 599 | 417 | 506 | 340 | 450 |
| **Total Supply** | 3,223 | 3,223 | 2,993 | 3,158 | 2,734 | 2,623 |
| **Raw Exports** | 528 | 528 | 396 | 408 | 350 | 250 |
| **Refined Exp.(Raw Val)** | 340 | 340 | 348 | 364 | 350 | 240 |
| **Total Exports** | 868 | 868 | 744 | 772 | 700 | 490 |
| **Human Dom. Consumption** | 1,890 | 1,890 | 1,900 | 1,952 | 1,900 | 1,900 |
| **Other Disappearance** | 5 | 5 | 5 | 10 | 5 | 10 |
| **Total Use** | 1,895 | 1,895 | 1,905 | 1,962 | 1,905 | 1,910 |
| **Ending Stocks** | 460 | 460 | 344 | 424 | 129 | 223 |
| **Total Distribution** | 3,223 | 3,223 | 2,993 | 3,158 | 2,734 | 2,623 |
| | | | | | | |
| (1000 MT) | | | | | | |

## Trade policies;

### 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 September, 29, 2015. The rate of duty is about R2.43/kg (US$0.18/kg)

**Table 9**: **Customs duties**

| | | | | **Rate of Duty (c/kg)** | | | |
|---|---|---|---|---|---|---|---|
| **Heading/ Subheading** | **CD** | **Article Description** | **Unit** | **General** | **EU** | **EFTA** | **SADC** |
| **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 | 242.6 | 242.6 | 242.6 | 242.6 |
| 1701.13 | 9 | Cane sugar | Kg | 242.6 | 242.6 | 242.6 | 242.6 |
| 1701.14 | 5 | Other cane sugar | Kg | 242.6 | 242.6 | 242.6 | 242.6 |
| **1701.9** | | **Other:** | | | | | |
| 1701.91 | 2 | Containing added flavoring or coloring matter | Kg | 242.6 | 242.6 | 242.6 | 242.6 |
| 1701.99 | 3 | Other | Kg | 242.6 | 242.6 | 242.6 | 242.6 |

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 twelve years, and it is still uncertain as to when the Department of Trade and Industry will publish the proposed amendments.