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Report Highlights:

Post estimates that the South African sugar cane crop will grow by 7 percent to 18.4 million metric tons (MT) in the 2022/23 market year (MY), up from 17.2 million MT in the 2021/22 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. Raw sugar production is expected to fall by 2 percent to 2 million MT in the 2022/23 MY, due to a reduction in the quantity of cane delivered to mills, limited crushing capacity as a result of the closure of two sugar mills, and a decline in mill efficiencies. However, domestic sugar consumption will continue its strong growth and will rise by 2 percent to 1.75 million MT in the 2022/23 MY, based on the growth in population and continued improvements in demand from the local industry. Sugar exports will increase by 1 percent to 600,000 MT in the 2022/23 MY, from 595,000 MT in the 2021/22 MY, based on increased production and a slow start to global economic recovery.

Sources:

Illovo Sugar Company - <http://www.illovo.co.za>

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

South African Canegrowers Association - <http://www.sacanegrowers.co.za>

South African Farmers Development Association - <http://sa-fda.org.za/>

South African Revenue Services - www.sars.gov.za

South African Sugar Association - <http://www.sasa.org.za>

Tongaat Hulett Sugar - <http://www.huletts.co.za>

Abbreviations:

MT = Metric Tons

MY = Marketing Year (April - March)

Conversion Rate:

1 U.S. dollar = 17.64 South African rand as of September 20, 2022

Background:

Sugar cane in South Africa is grown in the provinces of KwaZulu-Natal and Mpumalanga, as shown in **Figure 1**. Sugar cane production in the KwaZulu-Natal Province is 95 percent rainfed with limited irrigated areas, while production in the Mpumalanga province is fully irrigated using center pivots, sprinklers, and canal systems. At least 80 percent of the sugar cane production is supplied by large-scale farmers, with the remaining 20 percent coming from small-scale farmers.

Figure 1: Map of Sugarcane Production Areas in South Africa



Source: South African Sugar Association (SASA)

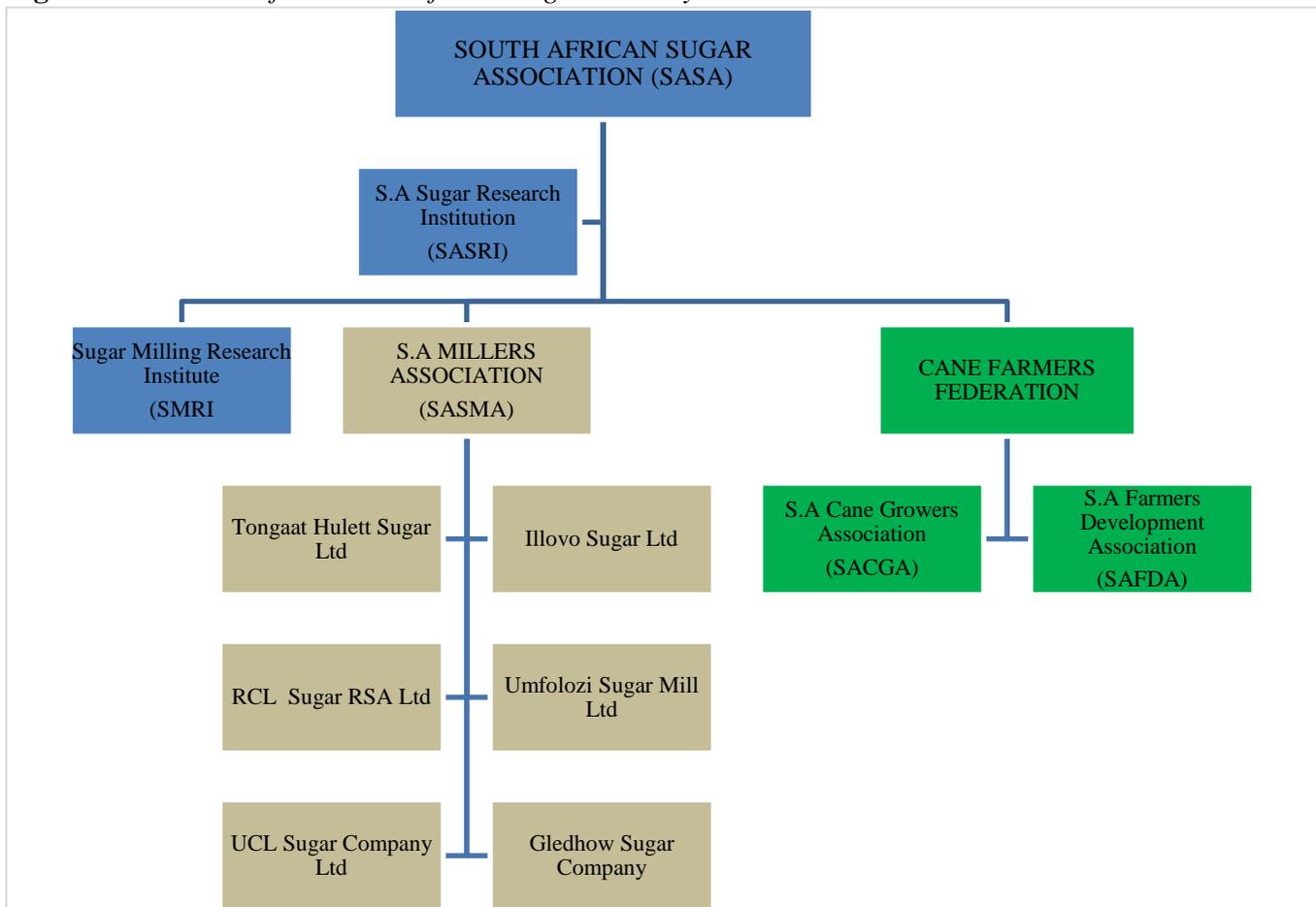
The sugar industry classifies growers based on their volume of sugar cane production. The term “large-scale growers” refers to all producers of more than 1,800 metric tons (MT) of sugar cane per season. All growers producing less than 1,800 MT of sugar cane classified as “small-scale growers.” Typically, 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 22,950 registered sugar cane growers in South Africa, comprised of 1,369 large-scale growers and 21,581 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 common issues for sugar cane growers and sugar millers. SASA provides support services to the entire industry’s value chain, including 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.

There are two associations representing sugar cane growers: the South African Canegrowers Association (SACGA) and the South African Famers Development Association (SAFDA). SACGA was established in 1927 and currently represents predominantly white large-scale growers and some small-scale growers. SAFDA was formed in 2017, initially to represent the interest 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.

Figure 2: Structure of the South African Sugar Industry



Source: SASA, SACGA, & SAFDA

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 13 sugar mills: 11 in KwaZulu-Natal Province and two in Mpumalanga Province. Two of the sugar mills (Darnall and Umzimkulu Mill) were not opened in the 2020/21 market year (MY) due

to financial challenges and the milling companies' strategy to maintain their commercial viability. Financial challenges caused the Umzimkulu Mill to be permanently closed in the 2021/22 MY, and there is concern that more sugar mills may also have to be shuttered, which would be devastating to the rural communities and towns who rely on these mills for employment and business development opportunities. 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 produce only raw sugar. The Gledhow Sugar Company produces only refined sugar. Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and RCL Foods also own sugar mills in Eswatini, Malawi, Zimbabwe, Zambia, Mozambique, and Tanzania. The Sugar Milling Research Institute (SMRI) studies sugar manufacturing and provides technical services to the Southern African sugar milling and refining industry.

Sugar Cane:

Production

Post estimates that the sugar cane crop will expand by 7 percent to 18.4 million MT in the 2022/23 MY, up from 17.2 million MT in the 2021/22 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. Growth is partially constrained by some growers diversifying to more profitable crops, lower replanting from growers who are under financial distress, and risks of carryover cane due to limited milling capacity following the permanent closure of Umzimkulu mill and temporary closure of the Darnall mill. In April 2022, KwaZulu-Natal Province suffered massive flooding in some regions that led to the temporary closure of the Gledhow mill for a month. According to the South African Cane Growers Association, the floods damaged more than 2,500 hectares of cane fields, and farmers saw financial losses of R223 million (\$12.6 million).

The industry is anticipating a jump in the estimated amount of sugar cane that may not be crushed in the 2022/23 MY and thus be carried over to the 2023/24 MY. Carry-over stocks are expected to impact some growers financially, resulting in added pressure on farmers already grappling with rising costs of fuel, electricity, transport, fertilizer, chemicals, and labor, due to an increase in the minimum wage and a global increase in input prices exacerbated by Russia's invasion of Ukraine. To reduce the cost of electricity, SACGA supported a project to produce energy using biogas under a subsidiary company called [Womoba Pty Ltd](#) in partnership with one grower. Should the project prove to be viable, some sugar cane farmers in irrigated areas are also expected to invest in biogas projects to improve farm profitability. Higher costs of production have resulted in some farmers diversifying to macadamia nuts, avocados, citrus, vegetables, and poultry production. Some sugar cane growers are also investing in the production of stevia to diversify their income streams.

Average sugar cane yields are expected to remain relatively static at 68.7 MT/hectare (HA) in the 2022/23 MY, due to the KwaZulu-Natal floods and frost damage in some growing areas. The variation in cane yields ranges widely from 30 MT/HA for dryland smallholder farmers in the KwaZulu-Natal Province to about 95 MT/HA for farmers in the irrigated growing regions of the Mpumalanga Province. **Table 1** includes figures on cane yields since the 2012/13 MY, while **Figure 3** shows South African sugar cane production for the last two decades.

Table 1: *Sugarcane Production and Yields in South Africa*

MY	Area planted (Ha)	Area Harvested (Ha)	Cane Crushed (MT)	Yield (MT/Ha)
2013/14	378,922	265,939	20,032,969	75.3
2014/15	381,707	272,590	17,755,504	65.1
2015/16	370,335	258,497	14,861,401	57.5
2016/17	360,000	260,000	15,074,610	58
2017/18	362,000	275,000	17,388,177	63.2
2018/19	364,041	247,385	19,031,688	76.9

2019/20	372,829	249,500	19,241,812	77.1
2020/21	360,800	246,403	18,220,466	73.9
2021/22	350,000	251,000	17,199,179	68.5
2022/23*	349,000	267,833	18,362,378	68.7

*Post Estimate

Source: South African Canegrowers Association and Post estimates

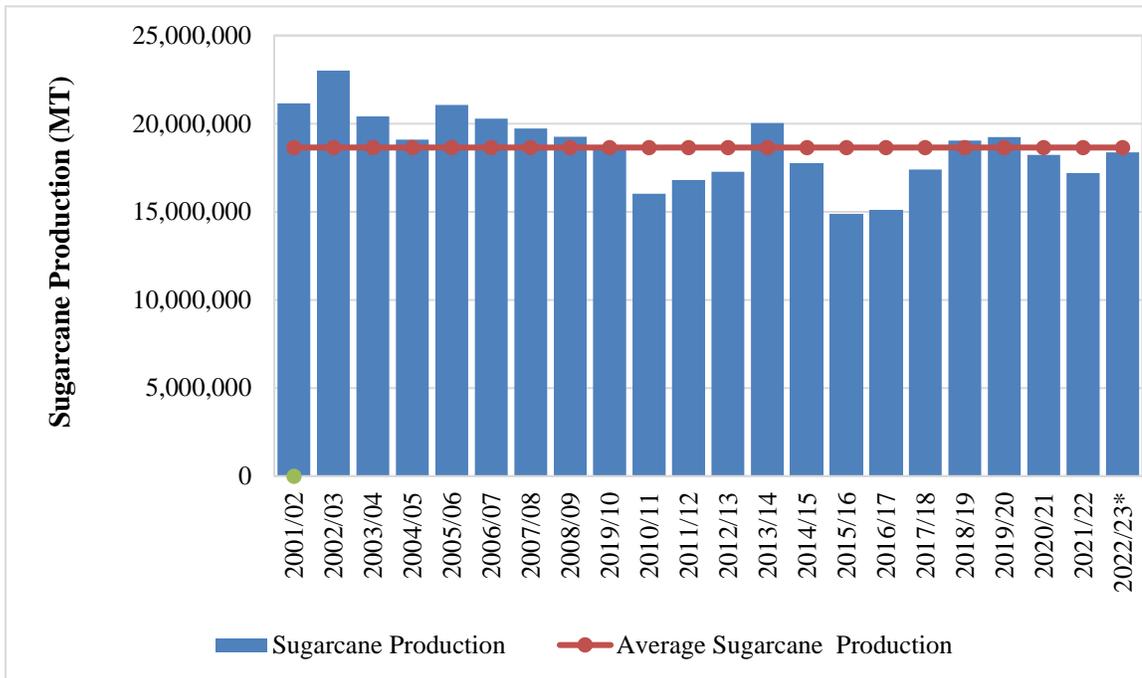


Figure 3:
South African Sugarcane Production

*Post Estimate

Source: South African Canegrowers Association and Post estimates

Sugar cane growers in South Africa are paid by mills based on the quality of the sugar cane they deliver, measured using an industry-agreed formula known as the recoverable value tonnage (RVT). Growers always aim to supply sugar cane that achieves the highest amount of recoverable sugar content. The price paid to growers also takes into account the net revenue obtained from the sale of sugar and molasses to the market. **Table 2** shows that the sugar cane price paid to growers is forecast to rise by 10 percent to R5,870 (\$333) in the 2022/23 MY, up from R5,334 (\$302) in the 2021/22 MY, based on growth in local market sales.

Table 2: Sugarcane Prices Paid to Growers

MY	Price (Rands/RVT)	Percentage Change
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	4,931.91	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	5,334.37	6%
2022/23*	5,870.00	10%

*Post Estimate

Source: South African Canegrowers Association and Post estimates

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

Sugar Cane for Centrifugal Market Year Begins	2020/2021		2021/2022		2022/2023	
	Apr 2021		Apr 2022		Apr 2023	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	361	361	350	350	349	349
Area Harvested (1000 HA)	246	246	251	251	270	270
Production (1000 MT)	18220	18220	17199	17199	18800	18362
Total Supply (1000 MT)	18220	18220	17199	17199	18800	18362
Utilization for Sugar (1000 MT)	18220	18220	17199	17199	18800	18362
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	18220	18220	17199	17199	18800	18362

(1000 HA) ,(1000 MT)

Sugar:

Production

Post estimates that South African raw sugar production will fall by 5 percent to 2 million MT in the 2022/23 MY, from 2.1 million MT in the 2021/22 MY, based on reduced quality of cane delivered to mills, limited crushing capacity due to the closure of two sugar mills, and a decline in mill efficiencies. The sugar recovery rate (number of kilograms of sugar obtained from a metric ton of sugar cane, expressed as a percentage) is estimated to increase slightly to 11.12 percent in the 2022/23 MY, from 11.08 percent in the 2021/22 MY as shown in **Table 4**.

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 (%)
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	1,553,229	1,607,592	10.66%
2017/18	17,388,177	1,993,727	2,063,507	11.87%
2018/19	19,031,688	2,181,161	2,257,502	11.86%
2019/20	19,241,812	2,217,055	2,294,652	11.93%
2020/21	18,220,466	2,028,174	2,099,160	11.52%
2021/22	17,199,179	1,842,663	1,907,156	11.08%
2022/23*	18,362,378	1,973,349	2,042,416	11.12%

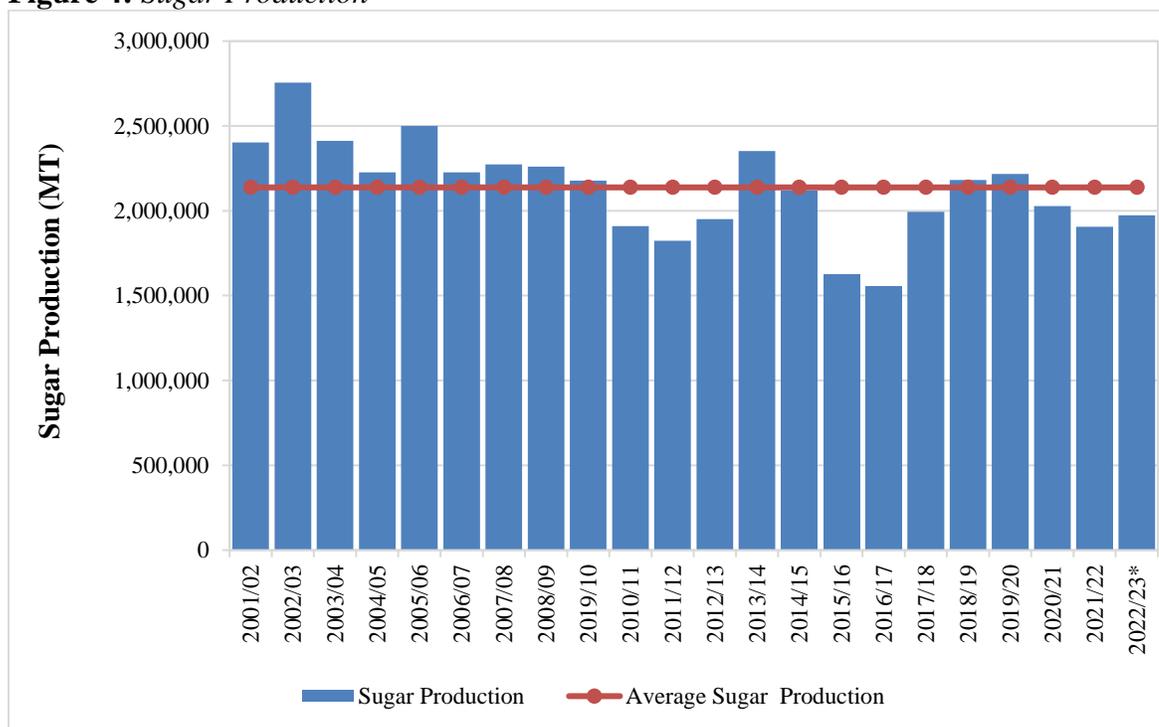
*Post Estimate **Raw Value = Tel Quel x 1.035

Sources: SACGA, SASA and Post estimates

Two sugar mills (Darnall and Umzimkulu) were not opened in the 2021/22 or 2022/23 MYs due to the financial difficulties faced by the industry. The Gledhow sugar mill was temporarily closed as a result of the floods that happened in April 2022 but resumed operations in the next month. The closure of the sugar mills resulted in growers diverting their sugar cane to other mills, and the operating mills struggled to crush all the cane delivered to them. Diversion of cane to other locations has resulted in higher transportation costs as cane is moved over longer distances to mills, as well as the deterioration of cane quality due to the longer period between harvesting and crushing. Industry sources expect a jump in the amount of carry-over cane that may remain uncrushed in the 2022/23 MY, and several millers have indicated that they will extend their crushing period into December 2022.

Figure 4 shows that sugar production in both the 2021/22 and 2022/23 MYs is below average and far below the peak production level of 2.8 million MT recorded in the 2002/03 MY.

Figure 4: Sugar Production



*Post Estimate

Source: SASA

Consumption

Post estimates that domestic sugar consumption will continue its strong growth and will increase by 2 percent to 1.75 million MT in the 2022/23 MY, from 1.71 million MT in the 2021/22 MY, based on population growth and initiatives to boost consumption of local sugar under the [Sugar Industry Master Plan](#) (discussed in the policy section of this report). Prior to the 2021/22 MY, domestic consumption had been impacted by declining demand from the beverage sector following the introduction of the [tax on sugar-sweetened beverages](#) in 2018 and a subsequent tax increase in 2019.

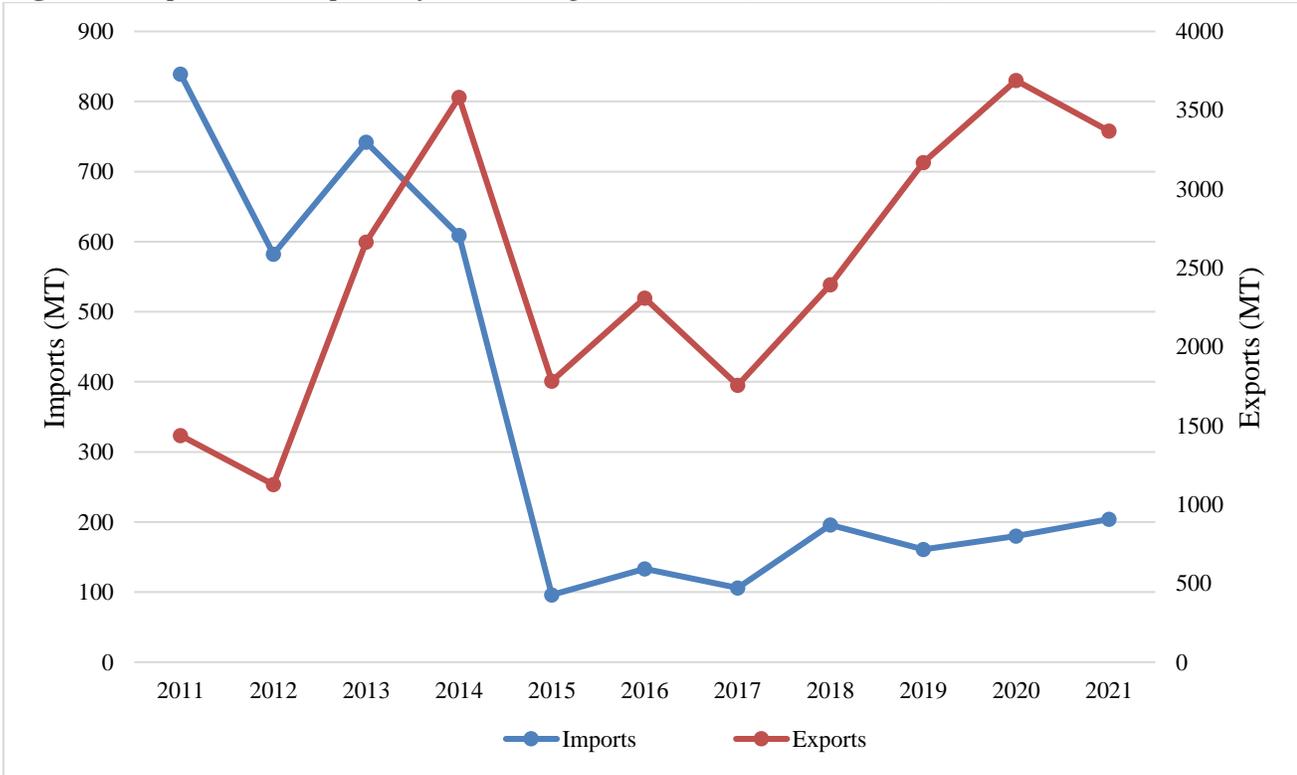
Sugar in South Africa is primarily used for direct human consumption and for industrial purposes such as an ingredient for producing beverages and confectionary products. Industrial demand for sugar accounts for 60 percent of total domestic sugar sales, while home consumption accounts for the other 40 percent. Per capita consumption of sugar in South Africa is about 45 kilograms (kg) per year, which is higher than most countries in the Southern Africa region whose per capita consumption is below 30 kg per year. However, the South African per capita consumption is still much lower to than the U.S. per capita consumption of between 68 to 77 kg per year.

The retail price of brown and refined sugar in South Africa ranges from \$2.44 to \$3.11 per kg and is affordable to the majority of the population. The South African Sugar Association increased the notional price of sugar on August 31, 2022, based on a rise in the cost of sugarcane, transport, distribution, energy, and other variable costs. Three major sugar players announced that their production prices would go up by between 4.5 and 5.5 percent.

Post expects a 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 by combining less sugar with an increased use of sweeteners such as aspartame, stevia leaf extract, sucralose, and acesulfame potassium, is expected to stabilize in the coming years, based on commitments by beverage manufactures under the Sugar Industry Master Plan. Some sugar cane growers are in the process of investing in the production of natural sweetener stevia as part of their diversification initiatives.

South Africa is currently a net exporter of sweeteners (HS 2106.90.35), as shown in **Figure 5**. The increased demand of sweeteners over the years has resulted in the growth of domestic production and exports of sweeteners. Some sugar milling companies are also invested in the sweetener industry. While, imports of sweetening substances have declined, it is widely believed that some sweeteners are being declared under the “other” food preparations tariff line (HS 2106.90.90), as this category has grown significantly since 2013.

Figure 5: Imports and Exports of Sweetening Substances (HS 2106.90.35)



Source: Trade Data Monitor (TDM)

Trade:

Exports

Post estimates that sugar exports will increase by 1 percent to 600,000 MT in the 2022/23 MY, from 595,000 MT in the 2021/22 MY, based on increased production and a slow start to global economic recovery. South Africa always exports its surplus sugar regardless of the global price and sometimes at a loss because of the domestic sugar regulations that 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.

The EU was the leading market for South African raw sugar exports in the 2021/22 MY, accounting for 62 percent of total raw sugar sales to foreign markets, followed by the United Kingdom (20 percent), Malaysia (9 percent), the United States (8 percent), and Namibia (4 percent). The EU, United Kingdom, and United States all have tariff-rate quotas (TRQs) from which South Africa is allocated a share. Notably, Malaysia is always a net importer of raw sugar to process for re-export.

South Africa is a beneficiary of the U.S. TRQ, with an annual raw sugar allocation of 24,744 MT of duty-free exports for fiscal year (FY) 2023. The TRQ amount has remained relatively constant over the last several years. The United States is considered a premium market for South African raw sugar exports, and South Africa fully utilizes its quota allocation each year. That was the case again in FY 2022, and the country is expected to fully utilize its FY 2023 TRQ allocation, too. Of note, South Africa's sugar marketing year runs from April to March, while the TRQ year runs from October to September, which may sometimes result in the TRQ for two different fiscal years being recorded in one marketing year.

The EU also grants South Africa an annual duty-free quota of 150,000 MT under the EU-Southern Africa Development Committee (SADC) Economic Partnership Agreement implemented in 2016. The impact of Brexit to South African sugar exports has been minimal, as South Africa was allocated a 60,000 MT annual quota to the United Kingdom in 2019.

Table 5: South African Raw Sugar Exports

South Africa Exports to the World									
Commodity: 170111,170112,170113,170114									
Partner Country	Unit	Year Ending March					Year-To-Date (April-July)		
		2017/18	2018/19	2019/20	2020/21	2021/22	04/21-07/21	04/22-07/22	%Δ
World	T	454,405	575,043	971,026	622,369	344,318	121,310	112,561	-7%
EU 27	T	140,009	216,769	149,880	28,800	213,050	94,300	63,783	-32%
Zimbabwe	T	1	4	35	692	183	35	509	1354%

Eswatini	T	738	292	283	359	2,399	176	633	260%
China	T	157,245	0	73,500	50,925	0	0	0	-
Lesotho	T	12,436	13,322	13,029	15,348	14,162	3,800	4,569	20%
United States	T	56,539	22,914	26,285	47,355	28,119	0	0	-
Mozambique	T	1,562	2,809	1,733	1,725	2,091	340	295	-13%
Botswana	T	21,880	13,673	15,345	11,889	1,269	916	1,504	64%
United Kingdom	T	35,000	100,110	41,000	0	67,300	34,300	0	-100%
Italy	T	105,008	60,635	70,000	28,800	32,250	0	0	-
Malaysia	T	0	281,450	527,754	93,037	30,000	0	0	-
Congo (DROC)	T	2	70	1,021	1,896	1,536	407	695	71%
Namibia	T	26,398	14,547	48,228	16,173	14,400	6,493	5,891	-9%
Romania	T						30,000	30,783	3%
Unidentified	T	0	6,760	1	29,322	18,461	6,362	1,000	-84%
Tanzania	T	6	2,323	11	2,007	4,324	4,052	0	-100%
Spain	T	0	31,000	20,000	0	53,500	0	0	-
India	T	0	0	113,866	26,800	0	0	0	-
Bulgaria	T	0	25	18,480	0	30,000	30,000	0	-100%

Source: TDM

Mozambique, Namibia, the United Kingdom, Madagascar, Botswana, and Tanzania are the main refined sugar export markets for South Africa. Refined sugar exports have been converted to raw sugar values using a factor of 1.07. South African refined sugar exports to the United States are inconsistent and minimal due to the absence of a guaranteed sugar quota allocation for refined sugar. Allocations under the U.S. refined sugar quota are based on a first-come-first-served basis and are usually claimed by Mexico, Brazil, and Colombia.

Table 6: South African Refined Sugar Exports

South Africa Exports to the World									
Commodity: HS170191, 170199									
Partner Country	Unit	Year Ending March					Year to Date (April-July)		
		2017/18	2018/19	2019/20	2020/21	2021/22	04/21-07/21	04/22-07/22	%Δ
World	T	314,140	466,306	480,318	385,109	226,559	125,505	45,119	-64%
EU 27	T	23,977	40,761	119,507	86,682	31,662	21,455	335	-98%
Mozambique	T	142,019	195,796	164,328	123,966	69,117	68,805	11,668	-83%
Namibia	T	36,169	65,340	66,768	63,501	64,305	12,917	19,519	51%
United Kingdom	T	12,824	27,394	79,960	50,152	31,011	20,802	335	-98%

Botswana	T	30,256	32,470	30,865	21,806	24,094	9,151	3,079	-66%
Madagascar	T	22,467	40,789	31,612	23,761	15,676	7,655	896	-88%
Angola	T	14,749	11,293	7,139	6,289	6,174	1,346	3,091	130%
Lesotho	T	4,668	4,767	3,674	4,611	3,806	988	591	-40%
Italy	T	1,626	9,516	17,600	14,695	0	0	0	-
Eswatini	T	165	350	83	42	2,963	10	644	6589%
Unidentified	T	0	2,756	39	5,701	2,093	0	0	-
Comoros	T	4,078	2,522	2,437	3,274	1,673	289	109	-62%
Rwanda	T	910	1,259	0	3,366	1,288	1,288	0	-100%
Congo (DROC)	T	1,472	6,908	2,164	3,071	1,007	826	1	-100%
United States	T	2,697	94	19	4	0	0	0	-
Greece	T	8,207	51	2,782	8,188	0	0	0	-
Tanzania	T	1,553	17,381	901	14,841	722	0	0	-
Spain	T	0	2,157	17,266	13,234	653	653	0	-100%
Kenya	T	6,406	9,264	0	11,521	629	0	0	-

Source: TDM

Imports

Post estimates that total sugar imports will plummet to 343,000 MT in the 2022/23 MY, from 380,000 MT in the 2021/22 MY, based on the slow pace of imports through July 2022 and a decrease in Eswatini exports due to commitments by South African manufacturers to utilize local sugar instead of imports. Raw sugar imports from Eswatini accounted for 91 percent of total South African market share in the 2021/22 MY. Eswatini is part of SACU, and its imports are not subject to any customs duty. This pattern is expected to continue in the 2022/23 MY. Raw sugar imports from Brazil accounted for less than 1 percent of South African imports in the 2021/22 MY, down from 20 percent in the 2017/18 MY, due to the impact of the increased customs duties. Imports from Brazil fluctuate based on the applied level of import duties (explained in the policy section below) under import restrictions using the domestic dollar-based reference price (DBRP).

Refined sugar imports from Eswatini accounted for 45 percent of total South African refined sugar imports in the 2021/22 MY, followed by Brazil (27 percent), United Arab Emirates (8 percent), Malawi (7 percent), and Botswana (6 percent).

Table 7: Raw Sugar Imports

South Africa Imports from the World									
Commodity: 170111, 170112, 170113, 170114									
Partner Country	Unit	Year Ending March					Year To Date (April-July)		
		2018	2019	2020	2021	2022	04/21-07/21	04/22-07/22	%Δ

World	T	433,326	329,169	381,568	374,049	376,733	117,568	81,589	-31%
EU 27	T	8,440	8,705	788	90	43	0	62	-
Eswatini	T	256,174	284,383	353,235	356,724	342,781	111,637	78,187	-30%
Zambia	T	5,023	1,501	258	3,756	14,909	1,133	238	-79%
Malawi	T	532	3,794	5,488	5,232	6,337	312	0	-100%
Mozambique	T	20	1,999	2,521	3,302	5,422	2,220	1,999	-10%
Brazil	T	43,989	9,260	1,215	2,618	4,949	2,172	10	-100%
Mauritius	T	2,462	469	79	265	1,403	0	1,006	-
Unidentified	T	717	1,874	1,875	67	92	34	78	129%
Germany	T	2,033	2,026	104	83	42	0	62	-
Botswana	T	177	103	172	9	34	34	0	-100%
India	T	27	3,361	12,706	1,088	7	1	0	-100%
Thailand	T	23,000	0	325	0	0	0	0	-
Zimbabwe	T	0	8,334	2,902	812	0	0	0	-
France	T	480	4,400	416	0	0	0	0	-
Belgium	T	4,925	1,200	245	5	0	0	0	-

Source: TDM

Table 8: Refined Sugar Imports

South Africa Imports from the World									
Commodity: HS170191, 170199									
Partner Country	Unit	Year Ending March					Year to Date (April-July)		
		2018	2019	2020	2021	2022	04/21-07/21	04/22-07/22	%Δ
World	T	314,213	212,420	116,267	84,166	52,211	23,472	9,883	-58%
EU 27	T	12,960	26,496	2,970	1,547	1,487	375	562	50%
Eswatini	T	27,371	62,204	46,657	28,354	23,469	6,433	7,294	13%
Brazil	T	152,381	41,322	23,546	31,531	13,925	9,540	1,156	-88%
United Arab Emirates	T	50,168	25,138	1,546	0	4,237	4,237	5	100%
Malawi	T	5,487	5,123	3,003	3,306	3,513	813		100%
Botswana	T	312	2	74	109	3,214	1,554	255	-84%
Mauritius	T	2,365	2,861	2,809	2,602	1,617	0	0	-
Germany	T	3,920	6,051	508	1,164	1,323	240	493	106%
Zambia	T	2,598	10,776	17,034	11,537	394	394	292	-26%
Unidentified	T	1,181	7,155	2,354	76	183	75	167	123%
Namibia	T	127	242	490	105	110	43	39	-10%
United Kingdom	T	116	728	90	117	93	71	57	-20%

Denmark	T	325	1,179	1,134	0	64	64	0	-
Zimbabwe	T	254	0	1,409	1,564	36	0	0	-
India	T	2,147	13,265	12,044	2,538	9	2	0	100%
Mozambique	T	0	1,141	667	214	0	0	0	-
Poland	T	5,548	2,087	0	107	0	0	0	-
France	T	976	14,644	1,220	128	0	0	0	-
Thailand	T	24,564	6,157	805	1	0	0	0	-

Source: TDM

Stocks

Post estimates that South Africa's ending sugar stocks will rise to 148,000 MT in the 2022/23 MY, up from 131,000 MT in the 2021/22 MY, based on the closure of the two mills and operational inefficiencies caused at the 12 remaining mills. All sugar produced in each marketing year is sold at the end of the season in order for the industry to share the revenue between growers and millers in accordance with the agreed division of proceeds formulas. High closing stocks pose a cost challenge to the industry, as growers and millers have to pay for storage.

Table 9: Production, Supply, and Distribution for South African Sugar

Sugar, Centrifugal Market Year Begins	2020/2021		2021/2022		2022/2023	
	May 2020		May 2021		May 2022	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	300	300	168	168	131	131
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2106	2106	1906	1906	2145	2042
Total Sugar Production (1000 MT)	2106	2106	1906	1906	2145	2042
Raw Imports (1000 MT)	374	374	320	320	300	300
Refined Imp. (Raw Val) (1000 MT)	84	84	60	60	40	43
Total Imports (1000 MT)	458	458	380	380	340	343
Total Supply (1000 MT)	2864	2864	2454	2454	2616	2516
Raw Exports (1000 MT)	622	622	370	370	500	400
Refined Exp. (Raw Val) (1000 MT)	385	385	225	225	200	200
Total Exports (1000 MT)	1007	1007	595	595	700	600
Human Dom. Consumption (1000 MT)	1670	1670	1710	1710	1750	1750
Other Disappearance (1000 MT)	19	19	18	18	18	18
Total Use (1000 MT)	1689	1689	1728	1728	1768	1768
Ending Stocks (1000 MT)	168	168	131	131	148	148
Total Distribution (1000 MT)	2864	2864	2454	2454	2616	2516
(1000 MT)						

Trade Policies 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 additional reallocations each year. South Africa has already utilized the 24,440 MT that it has been allocated for FY 2022 and is commencing the process for exporting their FY 2023 TRQ allocation.

EU Sugar Quota 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 that was finalized in October 2016. In the 2021/22 MY, South Africa fully utilized the EU quota due to favorable prices and increased demand in the EU market.

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. In the event that 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. All imports of sugar below the DBRP into South Africa currently attract a customs duty of R1.9528/kg (\$0.11/kg) as shown in **Table 10**.

Table 10: *South African Customs Duties as of September 2022*

Heading/ Subheading	CD	Article Description	Statistical Unit	Rate of Duty (c/kg)				
				General	EU	EFTA	SADC	MERCOSUR
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
1701.13	9	Cane sugar	Kg	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
1701.9		Other:						
1701.91	2	Containing added flavoring or coloring matter	Kg	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

Source: South African Revenue Service

Tax on Sugar-Sweetened Beverages

On December 15, 2017, the South African Revenue Service (SARS) announced that starting April 1, 2018, it would start collecting [tax on domestic and imported sugar-sweetened beverages](#), excluding 100 percent fruit juices. The tax was initially set at 2.1 cents per gram of sugar content that exceeds 4 grams per 100ml, which means that the first 4 grams per 100ml are levy free. The tax was increased to 2.21 cents in 2019. The tax on sugar sweetened beverages has had a severe impact to the sugar and beverage sectors. The beverage manufacturing sector has undertaken several measures to either avoid or minimize the impact of the sugar tax by introducing “low” or zero-sugar products, reducing package sizes, and reformulating products to reduce sugar content. This resulted in a reduction in sugar usage by at least 30 percent (200,000 MT) in the 2018/19 MY, and between 250,000-300,000 MT in the 2019/20 MY. Reformulation seems to have stabilized in the 2020/21 MY, and the sugar industry managed to grow demand by about 150,000 MT.

The decrease in domestic sugar demand due to the sugar tax, resulted in the increase in South African sugar exports at a lower price. South Africa always exports its surplus sugar regardless of the global prices and sometimes at a loss because of 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. As a result of the sugar tax, industry revenue dropped by up to R2.05 billion (\$114 million), further reducing the price paid to sugar cane growers in the 2020/21 and 2021/22 MYs. This placed many sugar cane farmers under serious viability strain and put at least 10,000 farm jobs at risk. Similarly, sugar milling companies are also under profitability strain due to revenue loss. 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](#).

On February 23, 2022, the Minister of Finance announced that effective from April 2022, the sugar tax would increase from 2.21 to 2.31 cents per gram. The industry has continued to argue that the sugar tax cost South Africa more than 16,000 job and R2.05 billion (\$140 million) in revenue. They argue that maintaining the tax at the current level will be a major contributing factor towards a decline of 46,000 hectares of sugar cane area in the next 10 years. However, after industry engagements with the government, the sugar tax increase was delayed for at least 12 months.

The 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. Notably, 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. The plan aims to achieve this over the next three years by, among other things, increasing local market use of domestic sugar by 300,000 MT through by having manufacturers prioritize South African sugar in their products; improving 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 utilize and fulfill the U.S. TRQ for raw sugar.

Sugar Marketing and Sales

The South African Sugar Association 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 of the domestic sugar regulations that 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 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.

Electricity Co-generation

The South African sugar industry currently uses bagasse to generate electricity, which is fed back to the sugar mills during peak production periods. None of the electricity generated from the sugar mills is supplied to the national electric grid due to the absence of appropriate incentives and policy by the government or the state-owned electric company (Eskom). This is expected to change when the sugar master plan is implemented effectively.

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.

Attachments:

No Attachments