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Report Highlights:

Post estimates that the sugar cane crop will fall by 2 percent to 17.9 million MT in the 2021/22 MY, based on cane that was burnt and rejected by sugar mills during the civil unrest and protests in KwaZulu-Natal, frost damage in some growing areas in June 2021, and some growers diversifying to more profitable crops. Post estimates that South African raw sugar production will fall by 7 percent to 2 million MT in the 2021/22 MY, based on the reductions in the quantity of cane delivered to the mills, limited crushing capacity due to the closure of two sugar mills, and a decline in mill efficiencies (sugar recovery rate). South Africa is expected to fully utilize the United States tariff-rate quota (TRQ) allocation in the 2021/22 MY.

Commodities:
Sugar, Centrifugal
Sugar Cane for Centrifugal

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
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:
1US$ = 14.77 Rands as of September 22, 2021

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 a canal system. At least 80 percent of the sugar cane production is supplied by large-scale farmers, and the remaining 20 percent of production is accounted for by small-scale farmers.

The South African sugar industry classifies growers based on volume of sugar cane production. The term "large-scale growers" refers to farmers producing more than 1,800 metric tons (MT) of sugar cane per season. Meanwhile, all growers producing less than 1,800 MT of sugar cane are classified as "small-scale growers." Typically, small-scale growers have less than 30 hectares, and the majority of small-scale farmers in the communal areas have less than 1 hectare. In total, there are approximately 22,950 registered sugar cane growers in South Africa, including 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 to guarantee that they will supply the respective mill and that their sugar cane deliveries will be accepted if they meet the agreed quality standards.

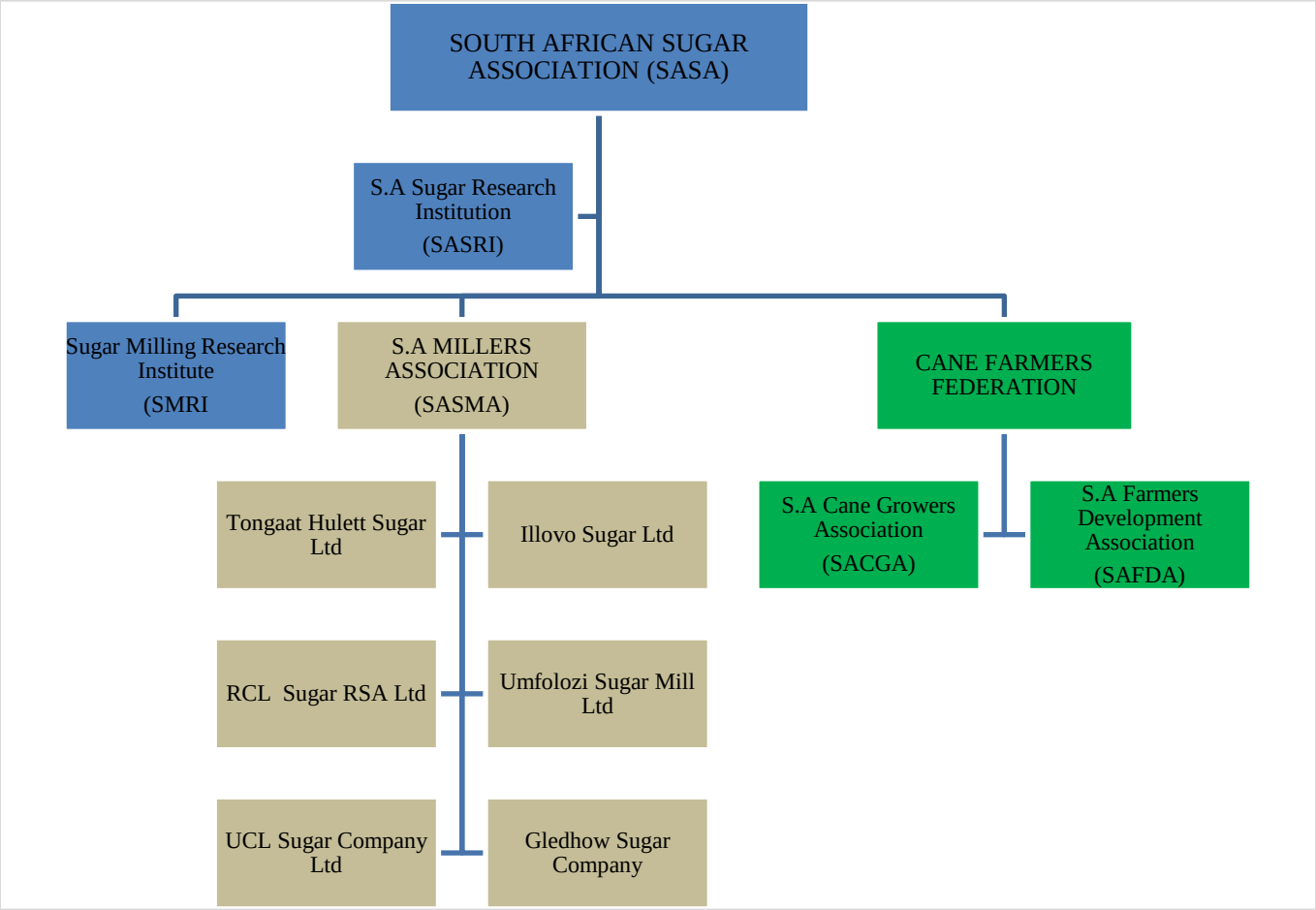
Figure 1: Map of Sugarcane Production Areas in South Africa

Source: South African Sugar Association (SASA)

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 serves as the industry's 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 the export of all the raw sugar, cane testing, and policy

advocacy. SASA was established by the Sugar Act of 1978 and is under the authority of the Department of Trade, Industry and Competition (DTIC). The South African Sugar Research Institute (SASRI) is a division of SASA and conducts scientific research on sugar cane varieties, pests, diseases, and crop protection. SASRI also provides extension and meteorology services for the industry.

Figure 2: Structure of the South African Sugar Industry



Source: SASA, SACGA, & SAFDA

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 with some small-scale growers as well. 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 the association offers, including bulk procurement of inputs, land reform support, and development finance.

The South African Sugar Millers Association (SASMA) represents the interests of the six sugar milling companies, including Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, Tsb Sugar RSA Ltd, 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 the KwaZulu-Natal Province and two in the Mpumalanga Province. Two of the sugar mills (Darnall and Umzimkulu) were not opened in the 2020/21 MY due to

financial challenges and the milling company's strategy to maintain their commercial viability. The Umzimkulu mill was permanently closed in the 2021/22 MY, and there are concerns that if the status quo remains, more sugar mills may have to close, which will be devastating to the rural communities and towns that rely on these mills for employment, business, and development opportunities. Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, RCL Foods (Formerly known as Tsb Sugar RSA Ltd), and Umfolozi Sugar Mill 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 (formerly known as Swaziland), Malawi, Zimbabwe, Zambia, Mozambique, and Tanzania. The Sugar Milling Research Institute (SMRI) is involved in research on sugar manufacturing and provides technical services to the Southern African sugar milling and refining industries.

Sugar Cane:

Production

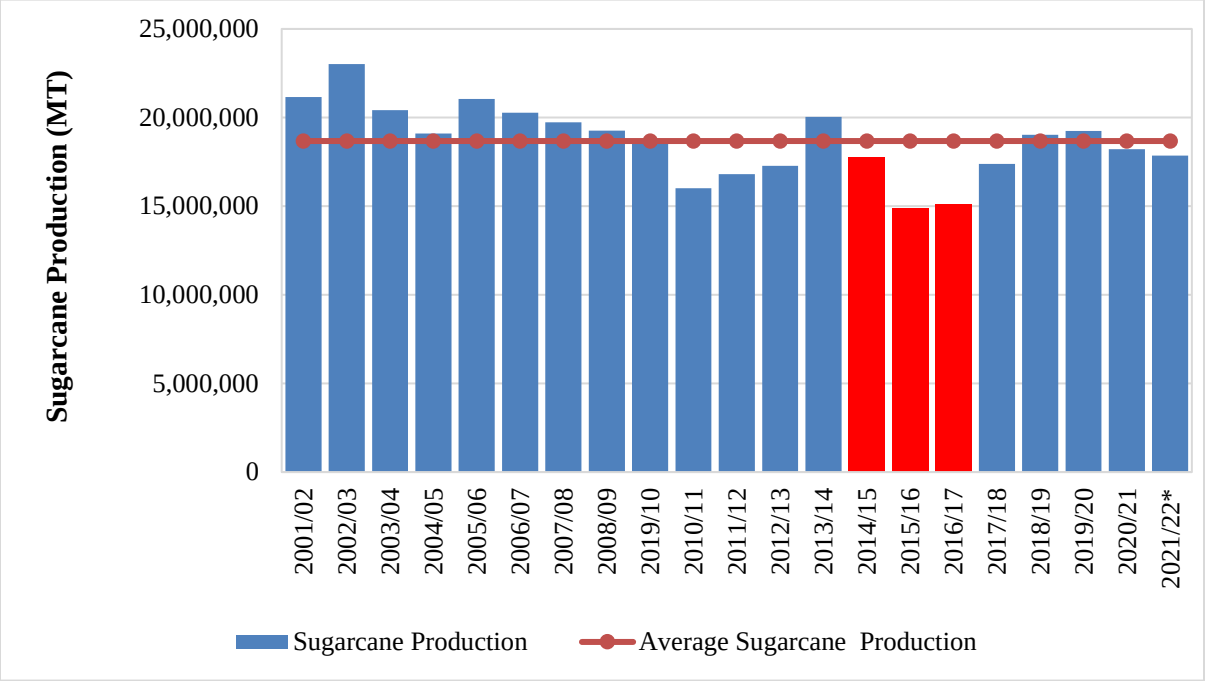
Post estimates that the sugar cane crop will fall by 2 percent to 17.9 million MT in the 2021/22 MY, down from 18.2 million MT in the 2020/21 MY. This is based on cane that was burnt and rejected by sugar mills during the civil unrest in Kwa-Zulu Natal, frost damage in some growing areas in June 2021, and some growers diversifying to other profitable crops such as macadamia nuts, avocados, vegetables, and citrus. The decrease in the 2021/22 MY sugar cane crop was partially offset by improvements in yields from new cane varieties and industry efforts under the Sugar Industry Master Plan to increase production, especially for small-scale farmers. There is no commercial sugar beet production in South Africa.

The impact of carry-over sugar cane that was not crushed in the 2020/21 MY due to the permanent closure of Umzimkulu mill and temporary closure of the Darnall mill is starting to have a snowball effect on sugar cane growers. The industry is anticipating a jump in the estimated amount of sugar cane that may not be crushed in the 2021/22 MY and may also be carried over to the 2022/23 MY. The impact of carrying over sugar cane is expected to impact some growers financially, resulting in added pressure on growers already grappling with the rising costs of fuel, electricity, transport, fertilizer, chemicals, and labor (due to the increase in the minimum wage). As a result, the success of the Sugar Industry Master Plan is important in reviving the sugar cane growing sector, especially for some growers who may not have the resources to adequately diversify from sugar cane. The year-to-date impact of COVID-19 on 2021/22 MY sugar cane production has been minimal based on continued normal operations in most farms.

The impact of the drought on sugar cane production from the 2014/15 MY and 2016/17 MY is evident in **Figure 3**. Sugar cane yields are expected to drop to 72.9 MT/hectare (HA) in the 2021/22 MY, from 73.9 MT/HA in the 2020/21 MY, due to frost damage in some growing areas and cane fields that were burned during the civil unrest. **Table 1** shows the cane yields since the 2012/13 MY. Notably, 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.

Higher costs of production, due to increases in the cost of fertilizer, electricity, labor, and fuel, and declining sugar cane prices have resulted in some farmers diversifying to macadamia nuts, avocados, citrus, vegetables, and poultry production. To reduce the cost of electricity, the SACGA has started the production of electricity using biogas under their subsidiary company Womoba Pty Ltd in partnership with one grower. It is expected that, should the project prove to be viable, some sugar cane farmers in irrigated areas would also invest in biogas projects to improve farm profitability and reduce electricity costs. Some sugar cane growers are in the process of investing in the production of stevia to diversify their income streams.

Figure 3: South African Sugar Cane Production



*Post Estimate
Source: South African Canegrowers Association and Post estimates

Table 1: Sugarcane 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	67.2
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	58.0
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	261,428	19,241,812	73.6
2020/21	360,800	246,403	18,220,466	73.9
2021/22*	355,000	245,000	17,853,422	72.9

*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 sugar cane they deliver. The quality of sugar cane 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. **Table 2** shows that the sugar cane price paid to growers is forecast to rise by 5 percent to

R5,263 (US$356) in the 2021/22 MY, up from R5,030 (US$341) in the 2020/21 MY, based on the increase in revenue due to the growth in local market sales and improved global sugar prices.

Table 2: Sugarcane Prices Paid to Growers

MY	Price (Rands/ Recoverable Value Ton)	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*	5,262.66	5%

*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	2019/2020		2020/2021		2021/2022	
Market Year Begins	Apr 2019		Apr 2020		Apr 2021	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	373	373	374	361	375	355
Area Harvested (1000 HA)	261	261	262	246	263	245
Production (1000 MT)	19242	19242	18220	18220	18800	17853
Total Supply (1000 MT)	19242	19242	18220	18220	18800	17853
Utilization for Sugar (1000 MT)	19242	19242	18220	18220	18800	17853
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	19242	19242	18220	18220	18800	17853
(1000 HA), (1000 MT)						

Sugar:

Production

Post estimates that South African raw sugar production will fall by 7 percent to 2 million MT in the 2021/22 MY, from 2.1 million MT in the 2020/21 MY, based on the reduction in the quantity of cane delivered to the mills, limited crushing capacity due to the closure of two sugar mills, and a decline in mill efficiencies (sugar recovery rate). Sugar recovery rate refers to the number of kilograms 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 drop to 11.01 percent in the 2021/22 MY, from 11.56 percent in the 2020/21 MY as shown in **Table 4**.

Two sugar mills (Darnall and Umzimkulu) were not opened in the 2020/21 or 2021/22 MY due to the financial difficulties faced by the industry. The Umzimkulu mill has been permanently closed, and the Darnall mill will be temporarily closed in the 2021/22 MY. The closure of the two sugar mills resulted in growers diverting their sugar cane to other mills, as the operating mills struggled to crush all the cane in both the 2020/21 and 2021/22 MY. 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. Despite most sugar mills opening earlier than usual to lessen the risks of failing to crush some of the cane as was the case in the 2020/21 MY, industry expects a jump in the amount of carry-over cane that may remain uncrushed in the 2021/22 MY. The impact of COVID-19 on the 2021/22 MY sugar production has been minimal to-date, due to normal operations at sugar mills.

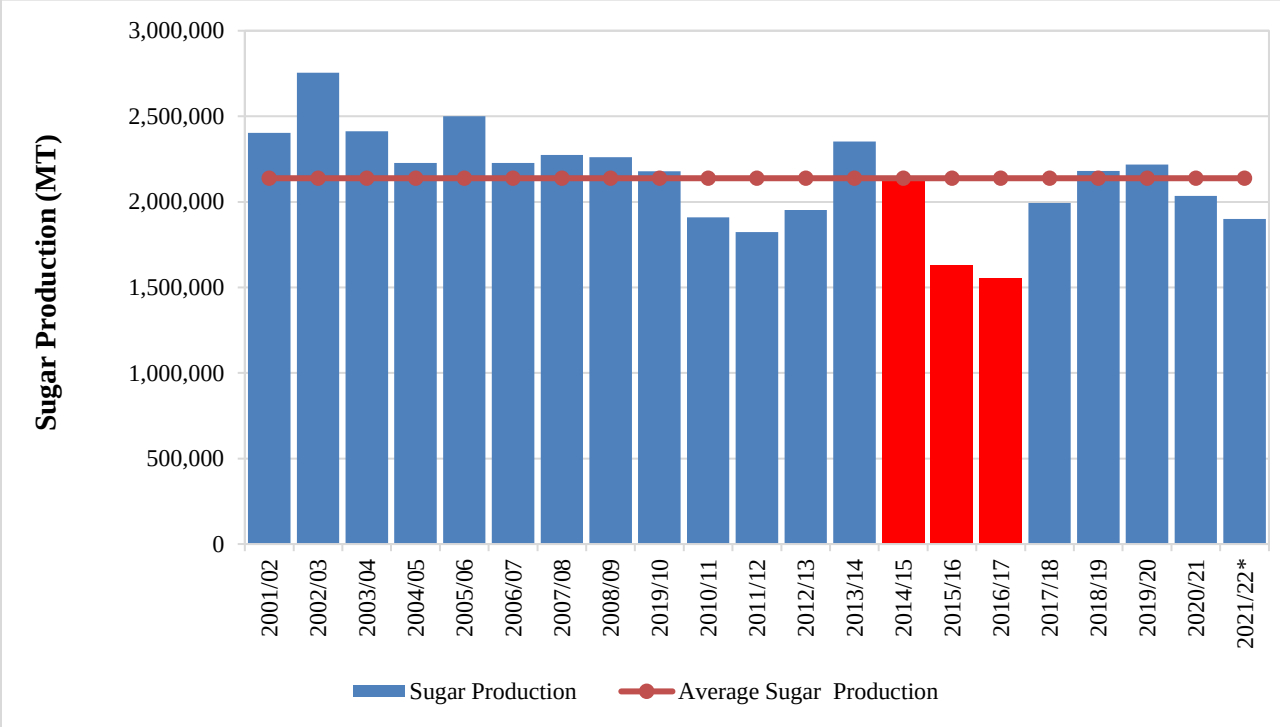
Table 4: Sugar Production and Factory Recoveries in South Africa

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	1,553,229	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	2,034,998	2,106,223	11.56%
2021/22*	17,853,422	1,900,000	1,966,500	11.01%

*Post Estimate **Raw Value = Tel Quel x 1.035
Sources: SACGA, SASA and Post estimates

Figure 4 shows that sugar production is above the average levels in the 2018/19 and 2019/20 MY, a return to normal sugar production after four years of drought between the 2015/16 and 2017/18 MY. However, sugar production in both the 2020/21 and 2021/22 MY 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 rise by 2 percent to 1.71 million MT in the 2021/22 MY, from 1.67 million MT in the 2020/21 MY. This is based on the growth in population and continued improvements in demand from the local industry following various initiatives aimed at promoting the consumption of local sugar as implemented under the Sugar Industry Master Plan.

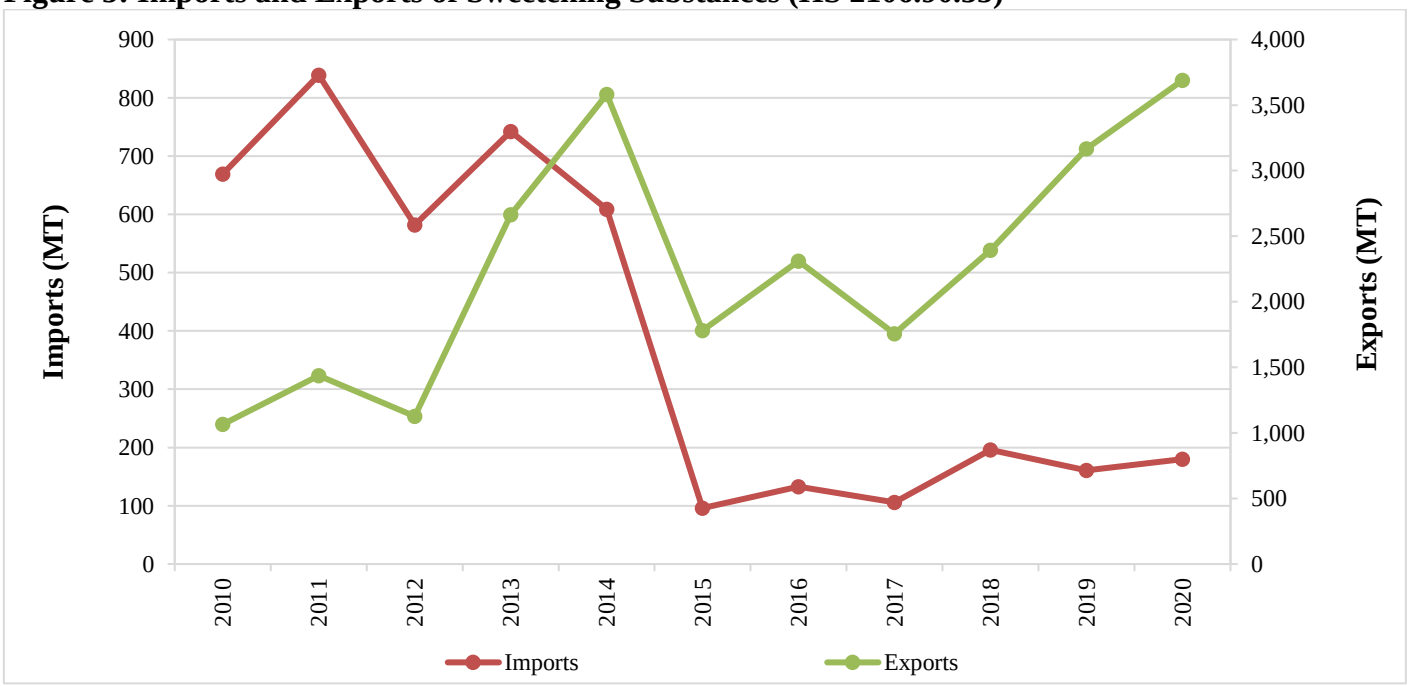
Prior to the 2020/21 MY, domestic consumption had been impacted by declining demand of sugar from the beverage sector following the introduction of the tax on sugar sweetened beverages in 2018 and a subsequent increase in the tax in 2019. Information on the impact of the sugar tax may be obtained from the following GAIN report published in March 2019: South African Sugar Industry Crushed by Not So Sweet Tax. The South African Sugarcane Value Chain Master Plan to 2030 intends to increase the domestic consumption of sugar by up to 300,000 MT, from 2020 to 2022. The industry has been able to successfully increase demand by 150,000 MT in the 2020/21 MY. The sugar master plan is discussed at the end of the report under the Policy section.

Sugar in South Africa is primarily used for direct human consumption and for industrial purposes, e.g. as an ingredient for producing beverages and confectionary products. The industrial demand for sugar accounts for 60 percent of total domestic sugar sales, while direct home consumption accounts for the remaining 40 percent. The 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, South African per capita consumption is still much lower to the U.S. per capita consumption of 68 to 77 kg per year. The retail price of brown and refined sugar in South Africa ranges from US$2.44 to US$3.11 per kg and is affordable to the majority of the population.

Post expects a continued growth in the use of sweeteners based on 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 2021/22 MY and coming years. This is based on commitments by beverage manufactures under the Sugar Industry Master Plan, and most seem to have completed their reformulations. South Africa is currently a net exporter of sweeteners (HS21069035) as shown in **Figure 5**. The increased demand of sweeteners over the years has resulted in growth of the domestic production of sweeteners, as well as exports of sweeteners. Some sugar milling companies are also invested in the sweetener industry. Sugar cane growers are in the process of investing in the production of the natural sweetener stevia as part of their diversification initiatives. While **Figure 5** shows that imports of sweetening substances (excluding sweetening substances with a basis of saccharine) has declined, it is widely believed that some sweeteners are being declared under the tariff code for other food preparations (HS21069090), and this category has grown significantly to a peak of 38,790 MT in 2019, from 23,400 MT in 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 plummet to 690,000 MT in the 2021/22 MY, from more than 1 million MT in the 2020/21 MY. This is based on the slow pace of exports through July 2021, decreased production, low global sugar demand due to the current higher average world sugar prices, and the South African industry prioritizing supplying the growing local market.

South Africa always exports its surplus sugar regardless of the global prices and sometimes at a loss because domestic sugar regulations 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 always 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 (Swaziland), and Namibia.

South Korea was the leading market for South African raw sugar exports in the 2020/21 MY, accounting for 28 percent of total raw sugar sales to foreign markets, followed by Malaysia (15 percent), Indonesia (9 percent), China (8 percent), the United States (8 percent), Taiwan (6 percent), and Japan (5 percent). Raw sugar exports to South Korea, Malaysia, India, and China are not consistent and are driven by the large surplus of sugar available in South Africa. Notably, Malaysia is always a net importer of raw sugar to process for re-export.

South Africa is a beneficiary of the U.S. tariff-rate quota (TRQ), with an annual raw sugar allocation of 24,220 MT of duty-free exports for fiscal year (FY) 2021. The TRQ amount has remained constant over the last several years. The United States is considered a premium market for South African raw sugar exports. South Africa fully utilizes its quota allocation each year and that was the case again in FY 2021. The country is expected to fully utilize its FY 2022 TRQ allocation, too. Of note, the South Africa's sugar marketing year runs from April to March, while the TRQ financial year runs from October to September, which may sometimes result in the TRQ for two different financial years being recorded in one marketing year.

Raw sugar exports from South Africa to the EU accounted for 5 percent of the total South African raw sugar exports in the 2020/21 MY, due to the annual duty-free quota of 150,000 MT granted to South Africa under the EU-Southern Africa Development Committee (SADC) Economic Partnership Agreement implemented in 2016. Exports to the EU are expected to continue in the 2021/22 MY. The impact of Brexit to South African sugar exports has been minimal, as South Africa agreed to a 60,000 MT quota to the United Kingdom in 2019.

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. The refined sugar quota allocations in the United States are based on a first-come-first-serve basis, and are usually utilized by South American countries including Mexico, Brazil, and Columbia.

Table 5: 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)		
		2016/17	2017/18	2018/19	2019/20	2020/21	04/20-07/20	04/21-07/21	%Δ
World	T	128,596	454,405	575,043	971,026	622,369	347,111	121,310	-65%
South Korea	T	0	0	0	0	171,832	87,832	0	-100%
Malaysia	T	0	0	281,450	527,754	93,037	43,187	0	-100%
Indonesia	T	0	0	0	0	57,500	57,500	0	-100%
China	T	0	157,245	0	73,500	50,925	50,925	0	-100%
United States	T	0	56,539	22,914	26,285	47,355	24,441	0	-100%
Taiwan	T	0	0	0	0	35,000	0	0	-
Japan	T	0	27,000	0	0	30,000	30,000	0	-100%
Unidentified	T	0	0	6,760	1	29,322	0	6,362	-
Italy	T	0	105,008	60,635	70,000	28,800	28,800	0	-100%
India	T	0	0	0	113,866	26,800	0	0	-
Namibia	T	93,083	26,398	14,547	48,228	16,173	10,306	6,492	-37%
Lesotho	T	13,285	12,436	13,322	13,029	15,348	5,184	3,801	-27%
Botswana	T	18,631	21,880	13,673	15,345	11,889	4,263	916	-79%
Tanzania	T	10	6	2,323	11	2,007	2,000	4,052	103%
Congo (DROC)	T	12	2	70	1,021	1,896	1,388	407	-71%
Mozambique	T	2,361	1,562	2,809	1,733	1,725	732	340	-54%
Madagascar	T	29	0	0	0	1,690	0	4,320	-
Zimbabwe	T	5	1	4	35	692	431	35	-92%
Eswatini	T	408	738	292	283	359	117	177	51%

Source: TDM

Table 6: Refined Sugar Exports

South Africa Exports to the World									
Commodity: HS170191, 170199									
Partner Country	Unit	Year Ending March					Year-to Date (April - July)		
		2017	2018	2019	2020	2021	04/20-07/20	04/21-07/21	%Δ
World	T	87,564	314,140	466,306	480,318	385,109	157,087	125,505	-20%
Mozambique	T	25,272	142,019	195,796	164,328	123,966	64,785	68,806	6%
Namibia	T	7,985	36,169	65,340	66,768	63,502	13,053	12,916	-1%
United Kingdom	T	0	12,824	27,394	79,960	50,152	26,434	20,802	-21%
Madagascar	T	81	22,466	40,789	31,613	23,761	7,675	7,655	0%
Botswana	T	38,755	30,257	32,470	30,866	21,805	8,619	9,150	6%
Tanzania	T	2	1,553	17,381	901	14,841	3,702	0	-100%
Italy	T	0	1,627	9,515	17,600	14,695	4,256	0	-100%
Spain	T	17	0	2,157	17,266	13,233	4,537	652	-86%

Kenya	T	0	6,406	9,264	0	11,521	6,284	0	-100%
Greece	T	0	8,207	51	2,782	8,188	1,896	0	-100%
Angola	T	5,414	14,749	11,293	7,139	6,290	798	1,345	69%
Unidentified	T	207	0	2,756	38	5,701	3,246	0	-100%
Uganda	T	0	5,362	19,436	0	5,065	4,251	0	-100%
Lesotho	T	5,341	4,668	4,767	3,675	4,610	1,497	988	-34%
Rwanda	T	0	910	1,259	0	3,366	862	1,288	49%
Comoros	T	967	4,078	2,522	2,437	3,274	2,073	289	-86%
Congo (DROC)	T	46	1,472	6,907	2,163	3,071	1,318	825	-37%
South Sudan	T	0	0	567	0	2,261	535	0	-100%
Zimbabwe	T	405	10	26	61	1,389	713	513	-28%
Zambia	T	50	69	23	16	1,307	1	2	100%

Source: TDM

Imports

Post estimates that total sugar imports will plummet to 380,000 MT in the 2021/22 MY, from 458,215 MT in the 2020/21 MY, based on the slow pace of imports through July 2021 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 95 percent of total South African raw sugar imports in the 2020/21 MY because Eswatini is part of SACU and its imports are not subject to any customs duty. This pattern is expected to continue in the 2021/22 MY. Raw sugar imports from Brazil and the United Arab Emirates only accounted for less than 1 percent of South African imports in the 2020/21 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 applied level of import duties, as explained in the policy section below, under import restrictions using the domestic dollar-based reference price (DBRP).

Refined sugar imports from Brazil accounted for 37 percent of total South African refined sugar imports in the 2020/21 MY, followed by Eswatini (34 percent), Zambia (14 percent), Malawi (4 percent), and Mauritius (3 percent).

Table 7: Raw Sugar Imports

South Africa Imports from the World									
Commodity: 170111,170112,170113,170114									
Partner Country		**Year Ending March**					**Year-to Date (April - July)**		
	Unit	**2017**	**2018**	**2019**	**2020**	**2021**	**04/20-07/20**	**04/21-07/21**	**%Δ**
World	T	368,474	433,326	329,169	381,568	374,049	141,574	117,569	-16.96
Eswatini	T	291,848	256,174	284,383	353,235	356,724	137,350	111,638	-18.72
Malawi	T	0	532	3,794	5,488	5,232	736	312	-57.61
Zambia	T	5,925	5,023	1,501	258	3,756	203	1,133	458.13

Mozambique	T	0	20	1,999	2,521	3,302	0	2,220	0
Brazil	T	23,638	43,989	9,260	1,215	2,618	1,386	2,173	56.78
India	T	73	27	3,361	12,706	1,088	1,082	2	-99.82
Zimbabwe	T	1,330	0	8,334	2,902	812	646	0	-100
Mauritius	T	61	2,462	469	79	265	35	0	-100
Germany	T	158	2,033	2,026	104	83	0	0	0
Unidentified	T	1,094	717	1,874	1,875	67	67	34	-49.25
Namibia	T	538	71	0	0	12	0	0	0
Botswana	T	36	177	103	172	9	1	34	3300
Belgium	T	5	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		**Year Ending March**					**Year-to Date (April - July)**		
	Unit	**2017**	**2018**	**2019**	**2020**	**2021**	**04/20-07/20**	**04/21-07/21**	**%Δ**
World	T	375,525	314,214	212,420	116,267	84,166	39,009	23,471	-40%
Brazil	T	184,136	152,380	41,323	23,546	31,531	20,805	9,540	-54%
Eswatini	T	30,341	27,370	62,205	46,657	28,354	12,349	6,433	-48%
Zambia	T	3,632	2,598	10,776	17,035	11,537	357	394	10%
Malawi	T	5,004	5,487	5,123	3,003	3,306	797	813	2%
Mauritius	T	4	2,365	2,861	2,809	2,602	6	0	-100%
India	T	6,021	2,147	13,265	12,044	2,539	2,174	2	-100%
Zimbabwe	T	0	254	0	1,410	1,564	1,419	0	-100%
Germany	T	4,555	3,921	6,051	509	1,164	429	239	-44%
Russia	T	0	0	0	0	535	535	0	-100%
Mozambique	T	0	0	1,141	667	214	0	0	-
Colombia	T	0	0	0	0	129	0	0	-
France	T	10,845	976	14,644	1,220	128	0	0	-
United Kingdom	T	506	116	728	89	116	42	69	64%
Botswana	T	76	313	2	74	109	0	1,554	-
Poland	T	1,573	5,548	2,087	0	107	0	0	-
Namibia	T	0	127	242	490	104	45	43	-4%

Source: TDM

Stocks

Post estimates that South Africa's ending sugar stocks will fall to 97,000 MT in the 2021/22 MY, down from 168,000 MT in the 2020/21 MY, based on the decrease in production. 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 the storage of such sugar.

Table 9: PS&D for Sugar

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Year Begins	Apr 2019		Apr 2020		Apr 2021	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	498	498	300	300	163	168
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2295	2295	2106	2106	2174	1967
Total Sugar Production (1000 MT)	2295	2295	2106	2106	2174	1967
Raw Imports (1000 MT)	382	382	346	374	350	320
Refined Imp. (Raw Val) (1000 MT)	116	116	85	84	85	60
Total Imports (1000 MT)	498	498	431	458	435	380
Total Supply (1000 MT)	3291	3291	2837	2864	2772	2515
Raw Exports (1000 MT)	971	971	625	622	630	370
Refined Exp. (Raw Val) (1000 MT)	480	480	360	385	365	320
Total Exports (1000 MT)	1451	1451	985	1007	995	690
Human Dom. Consumption (1000 MT)	1520	1520	1670	1670	1710	1710
Other Disappearance (1000 MT)	20	20	19	19	18	18
Total Use (1000 MT)	1540	1540	1689	1689	1728	1728
Ending Stocks (1000 MT)	300	300	163	168	49	97
Total Distribution (1000 MT)	3291	3291	2837	2864	2772	2515
(1000 MT)						

Trade Policies and Regulations:

U.S. Sugar Tariff-Rate Quota Allocation

South Africa is a beneficiary of the U.S. tariff-rate quota (TRQ) allocation, which allows it to export raw sugar duty-free to the United States. The United States is considered a premium market for South African raw sugar exports. South Africa has already utilized the 24,220 MT that it has been allocated for FY 2021 and has commenced the process for exporting their FY 2022 TRQ allocation. The TRQ amount has remained constant over the last several years. South Africa always utilizes its quota allocation and additional reallocations each year, as the United States is regarded as a premium market for the industry.

EU Sugar Quota and Policies

South Africa was granted an annual quota of 150,000 MT to export sugar duty-free to the European Union under the SADC-EU Economic Partnership Agreement that was finalized in October 2016. In the 2020/21 MY, South Africa did not fully utilize the EU quota due to unfavorable prices and reduced 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 US$680 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 was increased to US$680 per ton in August 2018, from US$566 per ton in order to restrict the increases in imports from Brazil and the United Arab Emirates, and because the DBRP of US$566 per ton was below the cost of sugar production in South Africa. Due to the low global sugar prices, all imports of sugar below the DBRP into South Africa currently attract a customs duty of 414.85c/kg (US$0.28/kg) as shown in **Table 10**.

Customs Import Duties

Table 10: **Customs Duties as of September 2021**

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	414.85	414.85	414.85	414.85	414.85
1701.13	9	Cane sugar	Kg	414.85	414.85	414.85	414.85	414.85
1701.14	5	Other cane sugar	Kg	414.85	414.85	414.85	414.85	414.85
1701.9		**Other:**						
1701.91	2	Containing added flavoring or coloring matter	Kg	414.85	414.85	414.85	414.85	414.85
1701.99	3	Other	Kg	414.85	414.85	414.85	414.85	414.85

Source: South African Revenue Service

Tax on Sugar-Sweetened Beverages

On December 15, 2017, the South African Revenue Service (SARS) announced that it would begin collecting a tax on domestic and imported sugar-sweetened beverages, excluding 100 percent fruit juices (Click here to download the notice). The tax went into effect on April 1, 2018, and 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 industry has undertaken several measures to either avoid or minimize the impact of the sugar tax by introducing "low" or zero sugar products, reducing packaging sizes, and reformulating their products to reduce sugar content. This resulted in the reduction in sugar usage by at least 30 percent (200,000 MT) in the 2018/19 MY and by an additional 250,000-300,000 MT in the 2019/20 MY. Reformulation 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 domestic sugar regulations 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 markets for that specific season. As a result, sugar industry revenues dropped by up to R1.8 billion (US$124 million), further reducing the price paid to sugar cane growers in the 2018/19 and 2019/20 MY. This placed many sugar cane farmers under serious viability strain and put at least 10,000 on-farm jobs at risk. Similarly, sugar milling companies are also face profitability strains due to this revenue loss. Additional information on the impact of the sugar tax may be obtained from the following GAIN report published in March 2019: South African Sugar Industry Crushed by Not So Sweet Tax.

The South African Sugarcane Value Chain Master Plan to 2030

On November 17, 2020, the South African Department of Trade, Industry, and Competition (DTIC); the Department of Agriculture, Land Reform, and Rural Development (DALRRD); and industry stakeholders signed the South African Sugar Industry Master Plan. The full plan may be downloaded at the following link: https://sasa.org.za/wp-content/uploads/2020/11/SA-Sugar-Master-Plan-1.pdf. Industry Master Plans seem to be common under the current administration as a measure to support industries in South Africa. For example, the poultry industry also has a master plan. In general Master Plans provide a comprehensive plan of action to achieve common policy objectives, and provide guidance on policies, support, strategies, and actions required to achieve specified targets. Notably, the South African Sugar Industry Master Plan Vision for 2030 aims to maintain "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, expanding the local sugar market by 300,000 MT through committing manufacturers to prioritize locally grown and manufactured sugar in their product ranges; increasing import protection; the development of small-scale growers; increasing transformation in all sectors of the industry; production diversification support; and the potential restructuring of the industry. The Master Plan has been widely welcomed by

the industry and has highlighted the declining status of the South African sugar industry and the actions that the government and industry view as required 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 domestic sugar regulations stipulate that the price of cane paid to growers must be based on revenue obtained from the sale of sugar in the local and export markets 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 electricity grid due to the absence of appropriate incentives and policies by the government or Eskom, the state-owned electric company. This is expected to change when the Master Plan is fully implemented.

Ethanol Production

There is currently no commercial production of biodiesel or fuel-grade ethanol from sugar cane in South Africa. However, some of the sugar mills produce beverage grade ethanol and industrial alcohol 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 fully implemented.

Land Expropriation Without Compensation

The impact of the ongoing policy discussion on land expropriation without compensation on the South African sugar industry is uncertain. The sugar industry has no official position on this policy and has decided to await the outcome of the parliamentary process. For more information, please see the December 2019 GAIN report: Constitutional Amendments to Expropriate Land Without Compensation Moving Ahead.

Attachments:

No Attachments