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South Africa - Republic of

Sugar Annual

South Africa Sugar Exports Expected to Jump by 20 percent

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Report Highlights:
Post forecasts that sugar production in South Africa will increase by 7 percent to 2.2 million MT in the 2018/19 MY, based on the improvement in sugar cane quality, better factory recoveries and an increase in sugar cane delivered to the mills for crushing. Post forecasts that sugar exports will increase significantly by 20 percent to 900,000 MT in the 2018/19 MY, due to an increase in sugar production, and large available stocks. South Africa is expected to fully utilize the United States Tariff Rate Quota allocation in the 2017/18 MY.

Commodities:

Sugar, Centrifugal
Sugar Cane for Centrifugal

Executive Summary

Post forecasts that the sugar cane crop in South Africa will increase by 6 percent to 18.5 million MT in the 2018/19 MY, based on a return to normal weather and improved sugar cane yields as the industry has fully recovered from the previous year's drought. Post forecasts that sugar production will increase by 7 percent to 2.2 million MT in the 2018/19 MY, based on the improvement in sugar cane quality, better factory recoveries and an increase in sugar cane delivered to the mills for crushing.

Post forecasts that sugar exports will increase by 20 percent to 900,000 MT in the 2018/19 MY, due to an increase in sugar production, and large available stocks. Post forecasts that the total sugar imports will increase by 2 percent to 715,000 MT in the 2018/19 MY, due to an increase in duty free imports from Swaziland, partially offset by a decline in imports from Brazil as a result of the customs duty of about 213.1c/kg (US$0.18/kg) that became effective in April 2018.

Post forecasts that the domestic sugar consumption will increase marginally by less than one percent to 1.97 million MT in the 2018/19 MY, based on the large available stocks, population growth, and increased demand from the industrial market. This increase is expected to be partially offset by reduced sugar consumption for health reasons or consumer awareness following the widespread media reports on the negative impact of sugar on health, and the potential impact of the sugar tax implemented at the beginning of April 2018.

Post forecasts that the ending stocks will increase by 6 percent to 529,000 MT in the 2018/19 MY, based on the increase in production and imports, partially offset by a jump in exports.

South Africa is expected to fully utilize its 2018 FY United States Tariff Rate Quota (TRQ).

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 Sugar Company - http://www.tsb.co.za
South African Canegrowers Association - http://www.sacanegrowers.co.za
South African Revenue Services - www.sars.gov.za

MT – Metric tons
MY – Marketing Year (April – March)

Background

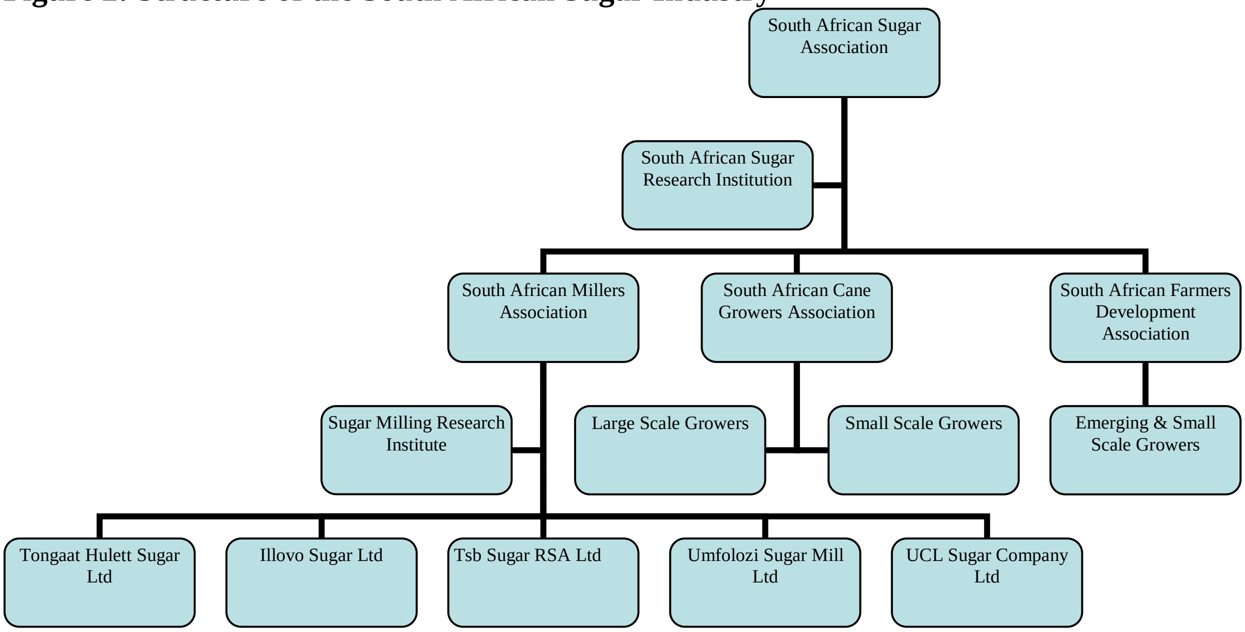
Sugar cane in South Africa is grown in the Kwa-Zulu Natal Province and Mpumalanga Province as shown in **Figure 1** below. Sugar cane production in the Kwa-Zulu Natal Province is 95 percent rain fed with limited irrigated areas, while production in the Mpumalanga province is fully irrigated using center pivots, sprinklers and the canal system. At least 80 percent of the sugar cane production is supplied by large scale farmers, and the remaining 20% of production is accounted for by small scale farmers including subsistence farmers. In total there are approximately 23,400 sugar cane growers in South Africa, comprising of 1,400 large scale growers and 22,000 small scale growers.

Figure 1: Map of Sugarcane Production Areas in South Africa

Source: South Africa Sugar Association

Figure 2 shows the structure of the South African sugar industry. The South African Sugar Association is the highest decision making authority in the industry on common issues of interest for sugar cane growers and sugar millers. The South African Sugar Research Institute (SASRI) conducts research on sugar cane varieties, pests, diseases, and crop protection. SASRI also provides extension and meteorology services. The Sugar Milling Research Institute is involved in research and technical services for the Southern African sugar milling and refining industries. There are two associations representing sugar cane growers in South Africa, the South Africa Growers Association and South African Famers Development Association. The South African Millers Association represents the interests of the six sugar milling; 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 14 sugar mills in the Kwa-Zulu Natal Province (12 Mills) and Mpumalanga Province (2 Mills).

Figure 2: Structure of the South African Sugar Industry



Source: South African Sugar Association

Sugarcane:

Production

Post forecasts that the South African sugar cane crop will increase by 6 percent to 18.5 million MT in the 2018/19 MY, from 17.4 million MT in the 2017/18 MY. This is based on normal weather conditions, and improved sugar cane yields as the industry has fully recovered from the previous year's drought. This increase was partially offset by decreased profitability in sugar cane farming due to the increasing cane production costs, and decreases in smallholder farmers' sugar cane yields due to their lack of economies of scale. There is no commercial sugar beet production in South Africa.

The impact of the drought on the cane yields in the 2015/16 MY and 2016/17 MY is evident. While the sugar cane yields are expected to increase to 66 tons/ hectare in the 2018/19 MY, the variation in cane yields ranges widely from about 30 tons/hectare for dryland smallholder farmers in the Kwa-Zulu Natal Province to about 95 tons/ hectare for farmers in the irrigated growing regions of the Mpumalanga Province. **Table 1** shows sugar cane production statistics and cane yields since the 2012/13 MY.

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
2013/14	378,922	265,939	20,032,969	75
2014/15	381,707	272,590	17,755,504	65
2015/16	370,335	258,497	14,861,401	57
2016/17	360,000	260,000	15,074,610	58
2017/18*	370,000	275,000	17,388,000	63
2018/19**	380,000	280,000	18,500,000	66

** Forecast, * Estimate.
Source: South African Canegrowers Association

The decrease in the profitability of sugar cane farming due to the increases in cane production costs over the past years in South Africa has resulted in some farmers diversifying to macadamia nuts, vegetables and poultry production. In 2017, a pilot project was established to investigate the viability of biogas production from sugarcane tops and leaves. Once the process is deemed viable and is optimized, it is expected that sugar cane farmers would also start producing biogas to improve on-farm profitability.

Sugar cane growers in South Africa are paid by mills based on the quality of sugar cane they deliver at the mill. The quality of sugar cane is measured using an industry agreed formula and is known as the Recoverable Value Tonnage. As a result, growers always aim to supply sugarcane that achieves the highest amount of sugar content that the mill can recover. The price paid to sugarcane growers also takes into account the net revenue obtained from the sale of sugar and molasses in the export and domestic markets. The prices paid to sugar cane growers have increased from R3,197 (US$266) in the 2012/13 MY to R4,187 (US$349) in the 2017/18 MY, mainly based on the increase in local prices for sugar. The sugarcane price paid to growers decreased by 15 percent to R4,187 in the 2017/18 MY, from R4,932 in the 2016/17 MY, based on the decrease in export revenues due to lower global sugar prices and stronger rand against the United States dollar. **Table 2** below shows the prices paid to growers since the 2012/13 MY.

Table 2: Sugarcane Prices Paid to Growers

MY	Price (Rands/ Recoverable Value Ton)
2012/13	3,197.32
2013/14	3,137.87
2014/15	3,437.97
2015/16	3,979.22
2016/17	4,931.91
2017/18	4,187.11

Source: South African Canegrowers Association

Table 3: PS&D for Sugar Cane

Sugar Cane for Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Apr 2016		Apr 2017		Apr 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	360	360	370	370	0	380
Area Harvested	260	260	275	280	0	290
Production	15075	15075	17300	17388	0	18500
Total Supply	15075	15075	17300	17388	0	18500
Utilization for Sugar	15075	15075	17300	17388	0	18500
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	15075	15075	17300	17388	0	18500
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post forecasts that the South African raw sugar production will increase by 7 percent to 2.2 million MT in the 2018/19 MY, from 2.1 million MT in the 2017/18 MY. This is based on the improvement in sugar cane quality, better factory recoveries and an increase in sugar cane delivered to the mills for crushing. The 2017/18 MY raw sugar production was revised upwards to 2.1 million MT due to an increase in the quantity of sugar cane delivered to the mills. The percentage of sugar produced from each ton of sugar cane is expected to increase to 11.92 percent in the 2018/19 MY, from 11.87 percent in the 2017/18 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 (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*	17,388,000	1,993,727	2,063,507	11.87%
2018/19**	18,500,000	2,130,000	2,200,000	11.92%

** Forecast. ** Estimate. *** Raw Value = Tel Quel x 1.035.
Source: South African Canegrowers Association

The Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, 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.

Consumption

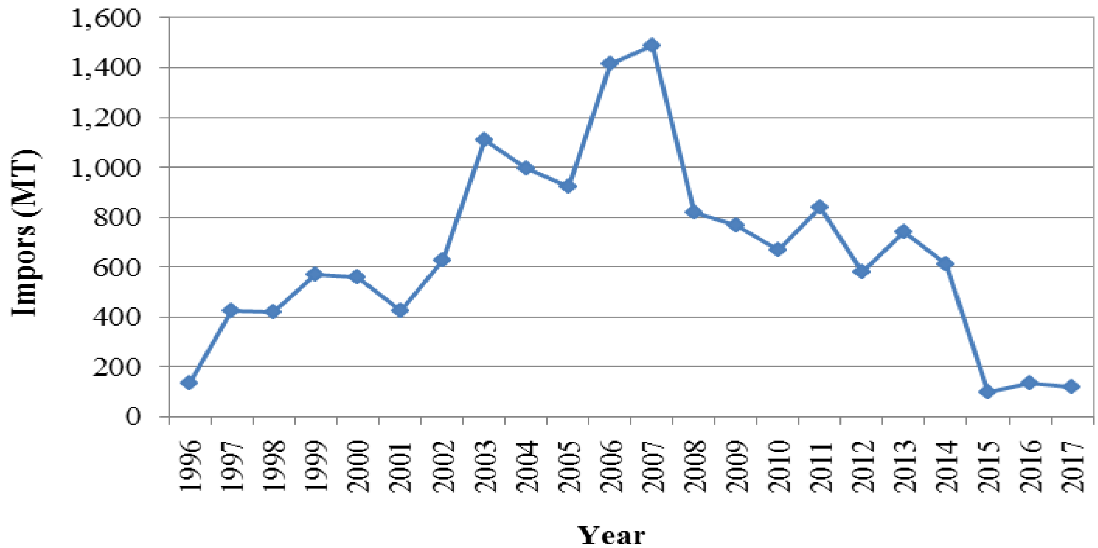
Post forecasts that domestic sugar consumption will increase marginally by less than one percent to 1.97 million MT in the 2018/19 MY, from 1.96 million MT in the 2017/18 MY. This is based on the increase in sugar production, population growth, and increased demand from the industrial market. The growth will be partially offset by reduced sugar consumption for health reasons or consumer awareness following the widespread media reports on the negative impact of sugar on health, and the potential impact of the sugar tax implemented at the beginning of April 2018.

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 has significantly grown and now accounts for at least 60 percent of the total domestic sugar sales in the 2017/18 MY, compared to about 43 percent in the 2015/16 MY. The increase in sales to the industrial market is driven by the growing beverage and processed food manufacturing sector.

The per capita consumption of sugar is about 45 kg per year, which is higher than most counties in the Southern Africa region. The retail price of brown and refined sugar ranges from about US$0.97 to US$1.02 per kilogram.

The industry currently sees no impact in the use of alternative sweeteners on the domestic industry and sugar consumption, as the quantities utilized are still low and there is widespread negative publicity of artificial sweeteners. **Figure 3** confirms that the import of sweetening substances has been in decline over the past ten years since 2007, and has been static since 2015.

Figure 3: Import of Sweetening Substances (HS 2106.90.35)



Source: Global Trade Atlas

Trade:

Exports

Post forecasts that sugar exports will increase by 20 percent to 900,000 MT in the 2018/19 MY, from 750,000 MT in the 2017/18 MY, due to an increase in sugar production, and large available stocks. Post revised upwards the 2017/18 MY exports to 750,000 MT, based on the year to date exports up to February 2018, and increased sugar production.

South Africa always exports its surplus 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. As a result, South Africa only 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, Swaziland and Namibia.
The traditional markets for South African raw sugar exports used to be the United States, Namibia, Botswana, Lesotho, and Japan. However, raw sugar exports to the European Union (EU) accounted for

36 percent of the total raw sugar exports in the 2017/18 MY, due to the annual duty free quota of 150,000 MT that South Africa was granted under the Southern Africa Development Committee (SADC)/ EU Economic Partnership Agreement implemented in 2016. The EU also changed its domestic sugar policy in 2017 and removed restrictions for domestic sugar beet production. This change is expected to result in an increase in sugar production and decreases in sugar prices in the EU. This is also expected to result in a decrease in EU imports from other countries over time. However, South African exports to the EU under the annual duty free quota of 150,000 MT are expected to continue as South Africa is mandated by regulation to export surplus sugar regardless of the expected low prices.

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) raw sugar allocation of 24,000 MT, which allows it to export raw sugar duty free to the United States. South Africa is expected to fully utilize 2018/19 MY quota allocation.

Mozambique, Namibia, Botswana, Madagascar and Angola are the key refined sugar export markets for South Africa. Refined sugar exports have been converted to raw sugar values using a factor of 1.035. Exports of raw and refined sugar are shown in **Table 5** and **Table 6**, respectively.

Table 5: Raw Sugar Exports

South Africa Export Statistics						
Commodity: Raw Sugar, HS170111, 170112, 170113, 170114						
Year Ending: March						
		Quantity				
Partner Country	**Unit**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18***
World	T	527,784	410,010	157,806	130,930	389,511
Italy	T	0	34	0	0	105,008
China	T	0	0	0	0	94,645
United States	T	0	46,410	23,087	0	56,540
United Kingdom	T	0	0	0	0	35,000
Japan	T	121,000	30,000	0	0	27,000
Namibia	T	33,321	111,952	98,032	95,346	26,293
Botswana	T	14,997	24,047	19,250	18,703	20,847
Lesotho	T	7,377	16,241	14,355	13,286	11,406
Kenya	T	275	37	0	0	9,700
Mozambique	T	20,472	17,546	2,086	2,361	1,455
Uganda	T	2,500	1	0	0	800
Swaziland	T	123	501	417	407	723

*Data is from April 2017 to February 2018.
Source: Global Trade Atlas (GTA)

Table 6: Refined Sugar Exports

South Africa Export Statistics
Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191
Year Ending: March

Partner Country	Unit	Quantity				
		2013/14	2014/15	2015/16	2016/17	2017/18*
World	T	340,442	605,028	146,195	87,141	296,068
Mozambique	T	102,397	114,888	55,230	25,271	138,078
Namibia	T	2,788	6,218	11,078	7,984	29,985
Botswana	T	17,677	40,487	24,625	38,755	28,681
Madagascar	T	22,087	18,661	9,796	81	18,983
Angola	T	45,194	44,225	13,283	5,414	13,554
United Kingdom	T	1	6	1	0	12,536
Greece	T	0	0	0	0	9,651
Ukraine	T	0	0	0	0	6,942
Kenya	T	11,584	288,494	2,291	0	6,406
Uganda	T	10,808	8,389	856	0	4,023
Lesotho	T	1,435	5,937	5,079	5,340	4,339
Comoros	T	3,644	4,378	3,679	967	3,471
Ghana	T	5,157	6,588	2,268	9	3,103
Mayotte	T	2,390	2,553	2,317	2,057	2,890
United States	T	137	197	128	0	2,697
Italy	T	0	0	1	0	1,626
Tanzania	T	18,129	4,933	1	0	1,553
Congo Dem. Rep.	T	4,323	6,299	2,500	48	1,472
Romania	T	0	0	0	0	1,284

*Data is from April 2017 to February 2018.
Source: GTA

Imports

Post forecasts that the total sugar imports will increase by 2 percent to 715,000 MT in the 2018/19 MY, from 700,000 MT in the 2017/18 MY. This is due to an increase in duty free imports from Swaziland, partially offset by a decline in imports from Brazil as a result of the import customs duty of 213.1c/kg (US$0.18/kg) that became effective in April 2018.

Raw sugar imports from Swaziland account for at least 62 percent of the total South African raw sugar imports because Swaziland is part of SACU and is not subject to customs duty. Brazil accounted for about 52 percent of the total refined imports in the 2017/18 MY. Imports from Brazil fluctuate based on the level of customs duty applicable, as explained in the section under import restrictions using the domestic Dollar Based Reference Price. Imports of raw and refined sugar are shown in **Table 7** and **Table 8**, respectively.

Table 7: Raw Sugar Imports

South Africa Import Statistics

Commodity: Raw Sugar, HS170111, 170112, 170113, 170114						
Monthly Series: 04/2013 - 02/2018						
		Quantity				
Partner Country	**Unit**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18***
World	T	209,013	352,406	361,078	368,946	380,949
Swaziland	T	100,927	300,617	331,896	291,934	237,952
United Arab Emirates	T	0	0	336	1,225	42,500
Guatemala	T	0	1,250	0	1,749	40,961
Brazil	T	98,053	30,554	15,552	23,881	40,421
Belgium	T	8	16	0	5	4,925
El Salvador	T	0	0	0	1,380	3,865
Mauritius	T	66	66	44	61	2,462
Zambia	T	0	8,798	9,990	5,925	1,730
Germany	T	71	91	138	159	1,553
Poland	T	0	0	0	270	1,000
Saudi Arabia	T	0	0	648	0	984
Egypt	T	0	0	0	0	785
Malawi	T	0	0	0	0	532
Unidentified Country	T	0	0	0	0	480
Argentina	T	0	0	0	20,000	260
Other Countries NES	T	518	849	1,044	1,093	236
Botswana	T	0	34	1	36	177
Namibia	T	268	569	390	537	71
India	T	2,478	1,605	5	73	27
Mozambique	T	0	0	0	0	20
China	T	2	0	3	2	7

*Data is from April 2017 to February 2018.
Source: GTA

Table 8: Refined Sugar Imports

South Africa Import Statistics
Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191
Year Ending: March

Partner Country	Unit	Quantity				
		2013/14	2014/15	2015/16	2016/17	2017/18*
World	T	390,978	153,692	108,066	375,085	278,739
Brazil	T	337,519	100,257	63,307	183,846	141,516
United Arab Emirates	T	2,244	0	1,284	105,067	41,488
Guatemala	T	29,425	0	0	2,600	26,093
Swaziland	T	10,732	30,605	17,904	30,340	24,929
Thailand	T	4,258	435	2,686	35	24,562
Malawi	T	0	8,870	8,753	5,004	4,492
Germany	T	7	5	45	4,555	2,891
Poland	T	0	0	3,424	1,573	2,712
India	T	4,965	5,716	3,390	6,022	2,146
Ukraine	T	0	0	0	11,128	1,468
Other Countries NES	T	0	2	144	4	1,145
Zambia	T	0	7,163	6,125	3,633	1,155
Belgium	T	46	17	11	12	1,029
France	T	1	4	0	10,844	976
Botswana	T	88	118	77	76	312
United States	T	4	13	19	871	293
Portugal	T	0	0	0	227	268
Mauritius	T	0	22	0	4	259
Zimbabwe	T	0	1	66	0	254
Denmark	T	0	0	0	11	241
China	T	3	13	11	15	148
Saudi Arabia	T	0	0	0	0	108
United Kingdom	T	144	94	459	506	98
Namibia	T	16	0	0	0	92
Algeria	T	0	0	0	0	54

*Data is from April 2017 to February 2018.
Source: GTA

Stocks

Post forecasts that the ending stocks will increase by 6 percent to 529,000 MT in the 2018/19 MY, from 501,000 MT in the 2017/18 MY, based on an increase in production and imports, partially offset by a jump in exports. The 2017/18 MY ending stocks were revised upwards to 501,000 MT due to increases in sugar imports and production.

All the sugar produced in each marketing year is considered sold at the end of the season in order for the industry to share the revenue between growers and millers as per the agreed Division of Proceeds formulas. High closing stocks pose a cost challenge to the industry as the growers and millers have to pay for the storage of such sugar.

Table 9: PS&D for sugar

Sugar, Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	April 2016		April 2017		April 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	304	304	465	464	0	501
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1608	1607	2039	2064	0	2200
Total Sugar Production	1608	1607	2039	2064	0	2200
Raw Imports	368	368	350	400	0	410
Refined Imp.(Raw Val)	376	376	120	300	0	305
Total Imports	744	744	470	700	0	715
Total Supply	2656	2655	2974	3228	0	3416
Raw Exports	129	129	350	420	0	500
Refined Exp.(Raw Val)	88	88	330	330	0	400
Total Exports	217	217	680	750	0	900
Human Dom. Consumption	1960	1960	1962	1961	0	1970
Other Disappearance	14	14	16	16	0	17
Total Use	1974	1974	1978	1977	0	1987
Ending Stocks	465	464	316	501	0	529
Total Distribution	2656	2655	2974	3228	0	3416
(1000 MT)						

Trade Policies and Regulations:

Electricity Co-generation

The South African sugar industry 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 policy by the government or Eskom the state owned electric company.

Ethanol Production

There is currently no commercial production of biodiesel and 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 backend products from molasses.

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 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.

United States Sugar Tariff Rate Quota Allocation

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) allocation, which allows it to export sugar duty free to the United States. South Africa confirmed that it has the capacity to export the 24,220 MT that it has been allocated for the 2018 FY, and any additional sugar allocations available.

European Union Sugar Quota and Policies

South Africa was granted an annual quota of 150,000 MT sugar to export sugar duty free to the European Union under the SADC/EU Economic Partnership Agreement that was finalized in October 2016. South Africa expects to utilize the 2017/18 MY, despite concerns that the returns from the EU market are low.

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$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. South

Africa applies a twenty day moving average of the import prices to determine if a duty is applicable or not. This is reviewed monthly, but once a determination is made, there are usually delays in implementing the applicable duties. This system is open to opportunistic behavior, in instances where the average import prices are above the DBRP and not subject to a duty. Importers and traders acquire sugar at below the DBRP and ship the sugar duty free when there is a window of opportunity.

For background purposes, on April, 4, 2014, the South African Revenue Service implemented the International Trade Administration 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 the South African Sugar Association (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 10 below presents the sugar customs duty as at April 17, 2018. The rate of duty is currently 213.1 c/kg (US$0.18/kg).

Table 10: **Customs duties**

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	213.1	213.1	213.1	213.1	213.1
1701.13	9	Cane sugar	Kg	213.1	213.1	213.1	213.1	213.1
1701.14	5	Other cane sugar	Kg	213.1	213.1	213.1	213.1	213.1
1701.9		**Other:**						
1701.91	2	Containing added flavoring or coloring matter	Kg	213.1	213.1	213.1	213.1	213.1
1701.99	3	Other	Kg	213.1	213.1	213.1	213.1	213.1

Source: South African Revenue Service.

Implementing of the Sugar Tax on Sugar-Sweetened Beverages

On December 15, 2017, the South African Revenue Services (SARS) announced that it will start to collect sugar tax from all sweetened beverages, excluding 100% fruit juices from April 1, 2018 (Click here to download the notice). The tax became effective in April 2018. The tax will affect both domestic and imported beverages, and will particularly impact soft drinks. Imported beverages will be taxed when they are cleared at the port of entry. The levy is fixed 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. Post published the following GAIN report on the proposed sugar tax, click here to download the report.

The purpose of the sugar tax was argued to be one of the measures to reduce excessive sugar intake as it is linked with conditions such as obesity and diabetes. However, industry perceives such a tax to be a revenue generation initiative by the South African National Treasury. The sugar tax has also been criticized by the South African Beverages Association, who argued that it would be largely ineffective at addressing obesity and other health related issues, and would potentially result in massive job losses. The sugar industry expects that the sugar tax will result in the decrease in demand of sugar from beverage manufactures, as most manufactures have stated to respond to the tax by producing smaller sized beverages in order to avoid the tax.

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