Required Report - public distribution

Date: 4/10/2014
GAIN Report Number:

Swaziland

Sugar Annual

The report covers supply and demand trends for sugar in Swaziland

Approved By:
Corey Pickelsimer

Prepared By:
Dirk Esterhuizen

Report Highlights:
For the 2014/15 MY, post forecasts that Swaziland could produce 725,000 MT of sugar, on an six percent increase in sugar cane production, due to more land being utilized for sugar cultivation. As a result, post expects that Swaziland's sugar exports, mainly to the European Union (EU), could increase by about three percent to 385,000 MT. In the 2013/14 MY, sugar production increased by three percent from the previous year to an estimated 679,934 MT and Swaziland exported about 373,523 MT of sugar to the EU.

Executive Summary

For the 2014/15 MY, post forecasts that the area under sugar cane cultivation in Swaziland will increase by three percent to 61,000 hectares. This will under normal climatic conditions results in a sugar cane crop of 6.0 million metric tons (MMT). In the 2013/14 MY, Swaziland produced 5.6 MMT of sugar cane, marginally less than in the 2012/13 MY, on 58,979 hectares.

Post forecasts that sugar production in the 2014/15 MY could reach 725,000 MT (750,375 MTRV), on an six percent increase in sugar cane production, due to more land being utilized for sugar cultivation. In the 2013/14 MY, sugar production increased by three percent from the previous year to an estimated 679,934 MT (703,732 MTRV), due to better cane to sugar yields.

Post expects that Swaziland sugar exports to the EU could increase by about three percent to 385,000 MT in the 2014/15 MY, due to an increase in sugar production. In the 2013/14 MY, Swaziland exported about 373,523 MT of sugar to the EU, three percent more than the 363,666 MT exported in the 2012/13 MY.

Sources:

http://www.ssa.co.sz
http://www.illovo.co.za
http://www.huletts.co.za

US$1= R10.44 = E10.44 (04/09/2014)

Sugar cane

Production

Swaziland's area under sugar cane increased by almost 12 percent the past five years, as more small scale farmers took up sugar cane cultivation and access to irrigation increased through significant investments by the Swaziland government, the European Union and donor organizations. As a result, sugar cane production increased by 15 percent to reach its highest level of 5.6 MMT in the 2012/13 MY. Expectations are that by the 2016/17 MY, the sugar cane area will increase to 65,000 hectares and sugar cane production could be more than 6.5 MMT.

For the 2014/15 MY, post forecasts that the area under sugar cane cultivation will increase by three percent to 61,000 hectares. This will under normal climatic conditions results in a sugar cane crop of 6.0 MMT. In the 2013/14 MY, Swaziland produced 5.6 MMT of sugar cane, marginally less than in the 2012/13 MY, on 58,979 hectares. Table 1 illustrates the production of sugar in Swaziland for 2012/13 MY (actual), 2013/14 MY (estimate) and 2014/15 MY (forecast).

Table 1: The production of sugar in Swaziland from the 2012/13 season

Season	Area Planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar produced (MT*)	Cane/sugar ratio
2012/13	57,263	53,666	105.3	5,648,542	658,137	8.6
2013/14	58,979	55,528	101.6	5,640,096	679,934	8.3
2014/15	61,000	58,000	103.0	6,000,000	725,000	8.3

*****Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value

The structure of the industry

Sugar production is Swaziland's biggest industry. Swaziland is also Africa's fourth largest producer of sugar (after South Africa, Egypt and Sudan). Sugar production accounts for almost 60 percent of agricultural output, 35 percent of agricultural wage employment, and contributes about 18 percent to Swaziland's Gross Domestic Product. All sugar cane in Swaziland is grown under irrigation, achieving average yields of above 100 metric tons of cane per hectare.

The sugar industry in Swaziland consists of four components, namely, large millers and estates (77 percent of production**)**; large growers (17 percent of production**),** medium size growers (5 percent of production) and small growers (1 percent of production)**.** While accounting for a smaller volume of total production, the largest number of growers falls under the category of medium and small growers. South Africa's three biggest sugar companies, Illovo Sugar Ltd, Tongaat Hulett Sugar Ltd, and Tsb

Sugar RSA Ltd are involved in the Swaziland sugar industry through their co-ownerships in production estates and mills. Swaziland has three sugar mills, namely, Mhlume, Simunye and Ubombo with a combined annual production capacity in excess of 800,000 tons. Sugarcane growing in Swaziland is only permissible through a quota issued by the Sugar Industry Quota Board.

Sugarcane growers and millers are, respectively, represented by the Swaziland Cane Growers Association and the Swaziland Sugar Millers Association. The interests of the different industry players are reconciled within the framework of the Swaziland Sugar Association. The Swaziland Sugar Association was formed in 1964 and is govern by the Sugar Act of 1967. The Swaziland Sugar Association is responsible for providing the services necessary for the general development of the industry and the marketing of Swaziland's sugar.

The Swaziland Cane Growers Association and the Swaziland Sugar Millers Association are equally represented on the Swaziland Sugar Association's Council, the highest policy making body in the sugar industry. The Council is chaired by an independent person, who has no interest in the growing, milling, and marketing of sugar.

Table 2: PS&D for sugar cane

Sugar Cane for Centrifugal Swaziland	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57	57	60	59		61
Area Harvested	55	54	56	56		58
Production	5,662	5,649	5,880	5,640		6,000
Total Supply	5,662	5,649	5,880	5,640		6,000
Utilization for Sugar	5,662	5,649	5,880	5,640		6,000
Utilization for Alcohol	0	0	0	0		0
Total Utilization	5,662	5,649	5,880	5,640		6,000
1000 HA, 1000 MT						

Sugar

Production

Post forecasts that sugar production in the 2014/15 MY could reach 725,000 MT (750,375 MTRV), on an six percent increase in sugar cane production, due to more land being utilized for sugar cultivation. In the 2013/14 MY, sugar production increased by three percent from the previous year to an estimated 679,934 MT (703,732 MTRV), due to better cane to sugar yields. In the 2012/13 MY, Swaziland produced 658,137 MT (681,172 MTRV) of sugar.

Consumption

The South African Customs Union (SACU) is an important market for the Swaziland sugar industry. The SACU market comprises South Africa, Botswana, Lesotho, Namibia and Swaziland. Access to the market is regulated by the Southern African Development Community Sugar Cooperation Agreement. South Africa and Swaziland are the only two sugar producing countries in SACU. The region's sugar demand is estimated at approximately 2.2 MMT (2.3 MTRV) or 37kg per capita. In the 2012/13 MY, the South African sugar industry supplied 1.6 MMT (1.7 MTRV) to the SACU market and Swaziland about 302,043 tons (312,615 MTRV). The rest of the sugar demand was met by imports (218,490 MTRV), mainly from Brazil. In the 2013/14 MY, Swaziland supplied 340,286 MT (352,196 MTRV) of sugar to the SACU market. Post expects that Swaziland's sugar supply to the SACU market in the 2014/15 MY will be on the same level as in the 2013/14 MY, e.g. 340,000 MT (350,000 MTRV), as the increase in production will be directed to the export market.

Trade

The Swaziland Sugar Association is responsible for all sales and marketing of sugar produced in Swaziland. The main export market for Swaziland's sugar is the European Union (EU), under the Economic Partnership Agreements (EPA) that was introduced in 2009. EPA allows for preferential access to the EU market for Swaziland sugar. The United States also allows preferential access for Swaziland sugar under its Tariff Rate Quota. However, due to higher income realization, Swaziland exported only to the EU in the 2012/13 MY and 2013/14 MY.

Post expects that Swaziland sugar exports to the EU could increase by about three percent to 385,000 MT in the 2014/15 MY, due to an increase in sugar production (see also Table 3). In the 2013/14 MY, Swaziland exported about 373,523 MT of sugar to the EU, three percent more than the 363,666 MT exported in the 2012/13 MY.

Table 3: The different markets for Swaziland sugar for the 2011/12 MY (actual), 2012/13 MY (estimate) and 2013/14 MY (forecast)

Year	SACU market	EU market	United States	Total sales
	Metric tons			
2012/13	302,043	363,666	0	665,709
2013/14	340,286	372,523	0	726,809
2014/15	340,000	385,000	0	725,000

Source: Swaziland Sugar Association

Table 4: PS&D for sugar

Sugar, Centrifugal Swaziland	2012/2013		2013/2014		2014/2015	
	Market Year Begin: May 2012		Market Year Begin: May 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	45	45	75	49		29
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	711	681	750	704		750
Total Sugar Production	711	681	750	704		750
Raw Imports	0	0	0	0		0
Refined Imp.(Raw Val)	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	756	726	825	753		779
Raw Exports	305	318	310	323		335
Refined Exp.(Raw Val)	45	45	50	50		50
Total Exports	350	363	360	373		385
Human Dom. Consumption	330	313	350	350		350
Other Disappearance	1	1	1	1		1
Total Use	331	314	351	351		351
Ending Stocks	75	49	114	29		43
Total Distribution	756	726	825	753		779
1000 MT						