Required Report: Required - Public Distribution **Date:** April 15, 2021

Report Number: RH2021-0001

Report Name: Sugar Annual

Country: Zimbabwe

Post: Pretoria

Report Category: Sugar

Prepared By: Wellington Sikuka

Approved By: Laura Geller

Report Highlights:

Post forecasts that sugar cane production in Zimbabwe will increase by 2 percent to 3.6 million Metric Tons (MT) in the 2021/22 Marketing Year (MY), based on normal weather conditions, availability of sufficient irrigation water, and an increase in area planted. Post forecasts that sugar production will increase by 1 percent to 415,000 MT in the 2021/22 MY, based on an increase in the quantity of sugar cane delivered to the mills, improved sugar cane quality (sucrose content), and constant sugar mill efficiencies (sugar recovery rate). Zimbabwe is expected to fully utilize the 2021/22 MY and 2020/21 MY United States Tariff Rate Quota allocation of 12,636 MT annually.

Commodities:
Sugar, Centrifugal
Sugar Cane for Centrifugal

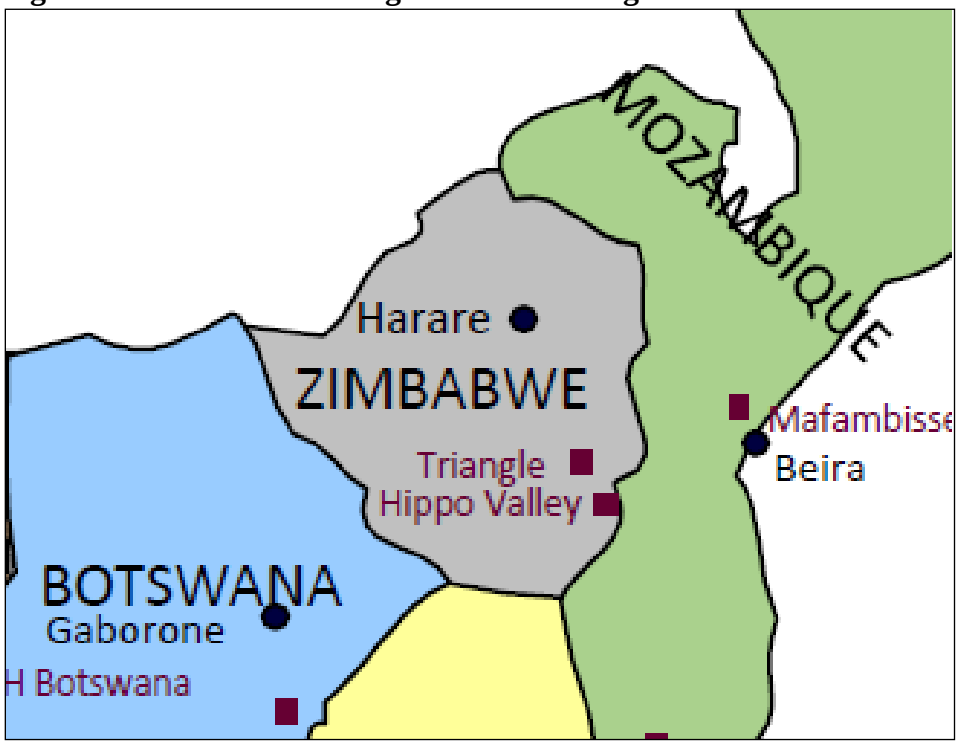
Sources:
Green Fuels - https://www.greenfuel.co.zw/
Star Africa Corporation - http://www.starafricacorporation.com/
Tongaat Hulett - http://www.tongaat.co.za/imc/presentations/presentation.asp
Zimbabwe Sugar Association Experiment Station
Zimbabwe National Water Authority - http://www.zinwa.co.zw/

MY – Marketing Year (April to March)

Background

Sugar cane in Zimbabwe is grown under canal irrigation in the lowveld area of Triangle and Hippo Valley, in the Chiredzi District, Masvingo Province, as shown in **Figure 1**. Lowveld is the name given to areas that lie at an elevation of between 500 and 2,000 feet (150 - 600 metres) above sea level. About 80 percent of Zimbabwe`s sugar cane crop is produced by two large estates, the Triangle Sugar Estate and Hippo Valley Estate. These two estates are owned by South African based Tongaat Hulett Company. Private farmers, including large scale farmers and small scale farmers, produce the remaining 20 percent of the country's sugar cane crop. Private growers are all the individual farmers, who are not part of the Triangle and Hippo Valley Estates.

Figure 1: Location of the Sugar Cane Growing Areas and Mills in Zimbabwe

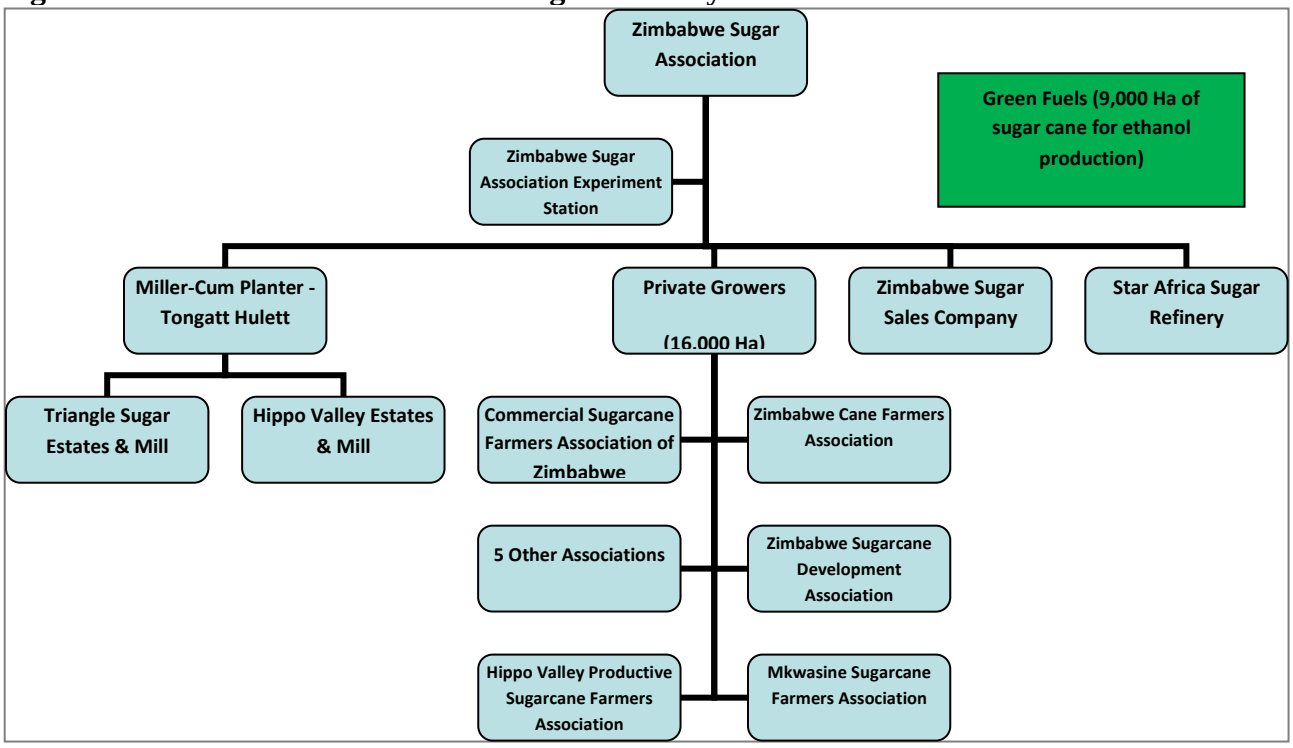


Source: Tongaat Hulett

There are two sugar mills in Zimbabwe, the Hippo Valley Estates Ltd and Triangle Sugar Estates Ltd, with a combined sugar production capacity of about 640,000 Metric Tons (MT) and installed milling capacity of 4.8 million MT of sugar cane per annum. South African based Tongaat-Hulett owns 100 percent of the Triangle Sugar Estate and about 50.5 percent of the Hippo Valley Estate Ltd. The remaining 49.5 percent of the Hippo Valley Estate Ltd shares are publicly owned through the Zimbabwe Stock Exchange. Hippo Valley Estates Ltd only produces raw sugar. Triangle Sugar Estate produces raw sugar and about 20 percent of the total refined sugar in Zimbabwe. Zimbabwe only has two sugar refineries; the Triangle Sugar Refinery, and Star Africa Sugar Refinery Ltd, an independent sugar refinery based in Harare (the Bulawayo Star Africa refinery is currently not operational). Star Africa produces about 80 percent of the total refined sugar including bottler grade white sugar (Premium-refined sugar that has been graded). The country's two refineries, Star Africa Corporation and Triangle Limited have the capacity to produce 200,000 MT and 140,000 MT of high quality refined sugar per annum, respectively.

The Zimbabwe Sugar Association is the highest decision-making authority in the industry on common issues for sugar cane growers and sugar millers. Common issues include sugar cane pricing, and government lobbying. In addition, the Zimbabwe Sugar Association Experiment Station (ZSAES) conducts research (sugar cane varieties, pests and diseases) for the industry and is funded from the sales of sugar based on a zero-budget basis. Due to their diverse interests and regular disagreements, there are at least ten associations representing private growers as shown in **Figure 2**. The Zimbabwe Sugar Sales Company (ZSSC) was founded by growers and is the main organization that exports and sells sugar domestically on behalf of the industry. The ZSSC exports and sells raw sugar to Star Africa, an independent refinery, and also to Triangle Sugar Mill for further processing.

Figure 2: Structure of the Zimbabwe Sugar Industry



Source: Zimbabwe Sugar Association Experiment Station

Sugarcane:

Production

Post forecasts that sugar cane production in Zimbabwe will increase by 2 percent to 3.6 million MT in the 2021/22 Marketing Year (MY), from 3.5 million MT in the 2020/21 MY, based on normal weather conditions, availability of sufficient irrigation water, and an increase in area planted. This increase is expected to be partially offset by lower sugar cane yields due to the impact of the harsh economic environment on farmers' affordability to apply optimal fertilizer, chemicals and increasing input costs. The 2020/21 MY sugar cane production was revised downwards to 3.6 million MT based on updated industry figures and due to the lower than expected yields as a result of water shortages for irrigation, poor maintenance of irrigation infrastructure and increase in input costs. There is no commercial sugar beet production in Zimbabwe.

Dam levels in 2021 are significantly higher than in 2020 as shown in **Table 1**, and it is expected that there will be sufficient irrigation water for the 2021/22 MY sugar cane crop. The Tugwi-Mukosi and Mutirikwi dams supply about 72 percent of the total sugar cane crop, followed by Manjireni (24 percent) and Manyuchi (4 percent).

Table 1: Dam Levels Supplying Irrigation Water to the Sugar Industry

Dam Name	Full Volume (Cubic Meters)	Percent Full as at March 31, 2016 (Percent)	Percent Full as at March 31, 2017 (Percent)	Percent Full as at March 29, 2018 (Percent)	Percent Full as at April 2, 2019 (Percent)	Percent Full as at April 2, 2020 (Percent)	Percent Full as at March 23, 2021 (Percent)
Tugwi Mukosi	1,802,600	-	69	74	59	42	104
Mutirikwi	1,378,080	25	36	50	52	40	96
Manjirenji	274,170	38	95	94	83	71	96
Manyuchi	30, 600	86	103	107	77	51	102

Source: Zimbabwe National Water Authority

Post forecasts that the area planted to sugar cane will increase by 2 percent to 54,000 hectares (Ha) in the 2021/22 MY, from 53,000 Ha in the 2020/21 MY, due to the availability of irrigation water and accelerated sugarcane root replant program (At least 15 percent of sugar growing areas re-planted annually). **Table 2** provides statistics on sugar cane production and average yields in Zimbabwe from the 2014/15 MY to the 2020/21 MY. While average yields are estimated at 75 MT/Ha in the 2021/22 MY, the variation in yields ranges widely from 4 MT/Ha for poorly performing farms to about 200 MT/Ha for well managed sugar estates.

Table 2: Zimbabwe Sugar Cane Production and Yields

Marketing Year	Area Planted (Ha)	Area Harvested (Ha)	Cane Crushed (MT)	Yield (MT/ha)
2014/15	44,749	43,121	3,856,000	89.4
2015/16	44,952	43,094	3,348,000	77.7
2016/17	45,339	43,500	3,483,000	80.1
2017/18	45,245	41,000	3,101,000	75.6
2018/19	47,055	45,000	3,582,994	79.6
2019/20	48,937	46,000	3,562,000	77.4
2020/21*	53,000	47,000	3,543,771	75.4
2021/22**	54,000	48,000	3,600,000	75.0

**Forecast. *Estimate.
Sources: Tongaat Hulett and Post Forecasts

Zimbabwe currently has nineteen varieties of sugar cane approved for growing by farmers. While the industry seeks to limit each variety to a maximum of 40 percent in order to minimize and diversify risks, the N14 variety currently accounts for about 57 percent of the sugarcane production. One of the new varieties ZN10 has been gaining popularity with farmers because of its high sucrose content. Although the industry had agreed to limit the production of ZN10 to 10 percent due to its fine particles that usually floods the mill diffusers, this variety is estimated to account for at least 43 percent of the total sugar cane production. About 450 to 500 hectares is dedicated to the production of seed cane, and the industry replants about 12 percent of the total area under sugar cane annually.

The main diseases of concern in the Zimbabwe sugar industry include Smut, Ratoon Stunt Disease (RSD), Leaf Scald, Brown Rust, Orange Rust (no official reported case), and Sugar Cane Yellow Leaf. The main pests of concern in include Eldana, Sugar Cane Yellow Aphid; and Black Maize Beettle. Viral diseases in crops are not closely monitored and controlled. The ZSAES routinely scouts for pests and diseases in all sugar cane farms, including those subsistence farms that produce chewing sugar cane as part of the industry biosecurity and risk mitigating measures.

Table 3: Production, Supply and Demand (PSD) Table for Sugar Cane

Sugar Cane for Centrifugal	2019/2020		2020/2021		2021/2022	
Market Begin Year	Apr 2019		Apr 2020		Apr 2021	
Zimbabwe	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	49	49	50	53	0	54
Area Harvested	46	46	47	47	0	48
Production	3602	3562	3700	3544	0	3600
Total Supply	3602	3562	3700	3544	0	3600
Utilization for Sugar	3562	3500	3650	3479	0	3533
Utilizatn for Alcohol	40	62	50	65	0	67
Total Utilization	3602	3562	3700	3544	0	3600
(1000 HA) ,(1000 MT)						

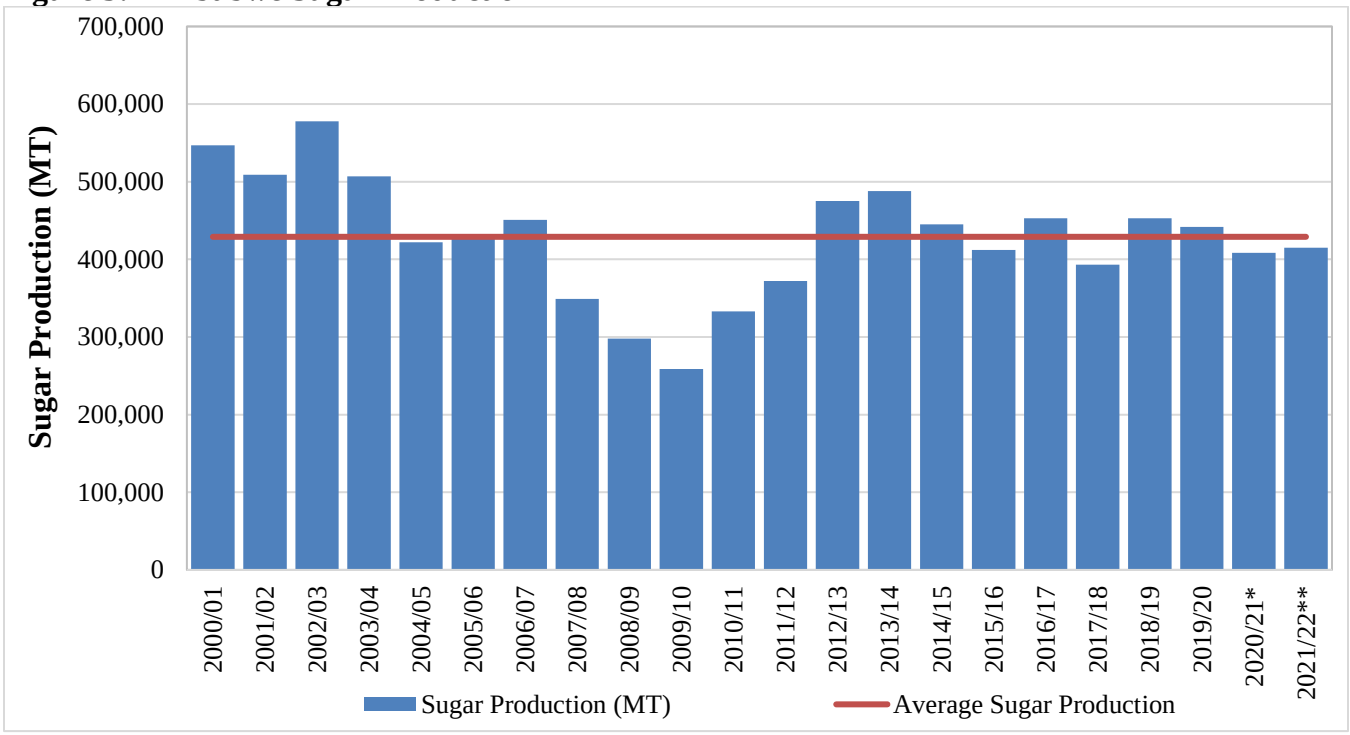
Sugar:

Production

Post forecasts that sugar production in Zimbabwe will increase by 1 percent to 415,000 MT in the 2021/22 MY, from 408,518 MT in the 2020/21 MY. This is based on an increase in the quantity of sugar cane delivered to the mills, improved sugar cane quality (sucrose content), and constant sugar mill efficiencies (sugar recovery rate). Sugar recovery rate refers to the amount of sugar obtained from a metric ton of sugar cane, expressed as a percentage. The 2020/21 MY sugar production was revised downwards to 408,518 MT, based on the lower than expected quantity of sugar cane delivered to the mills, poor sugar cane quality, lower mill efficiencies, and updated industry statistics. The impact of COVID-19 on sugar production in the 2020/21 MY and 2021/22 MY is projected to be minimal based on industry efforts and government support in ensuring that the sugar milling season started as scheduled and sugar mills are fully operational during the COVID-19 pandemic.

Figure 3 shows that the 2021/22 MY and 2020/21 MY sugar production is still below the industry average, and it has not reached the peak production of 578,000 MT achieved in the 2002/03 MY. The decline in sugar production from the 2002/03 MY to the 2009/10 MY, is mainly due to the rapid decline in the economic performance of Zimbabwe under the President Robert Mugabe regime.

Figure 3: Zimbabwe Sugar Production



**Forecast.*Estimate.
Source: Tongaat Hulett and Post Forecasts

Table 4 below confirms that the Sugar to Cane ratio percentage is forecast to remain flat at 11.5 percent in the 2021/22 MY, based on the operating environment for the mills in 2021 being similar to 2020.

Table 4: Zimbabwe Sugar Production and Mill Sugar Recovery Rates

Marketing Year	Cane crushed (MT)	Sugar Production (MT)	Sugar/ Cane Ratio (Percentage)
2014/15	3,856,000	445,000	11.5%
2015/16	3,348,000	412,000	12.3%
2016/17	3,483,000	453,000	13.0%
2017/18	3,101,000	393,000	12.7%
2018/19	3,582,994	452,972	12.6%
2019/20	3,562,000	442,000	12.4%
2020/21*	3,543,771	408,518	11.5%
2021/22**	3,600,000	415,000	11.5%

**Forecast, *Estimate.
Sources: Tongaat Hulett and Post Forecasts

Consumption

Post forecasts that sugar consumption in Zimbabwe will decrease by 2 percent to 285,000 MT in the 2021/22 MY, from 290,000 MT in the 2020/21 MY. This is based on the decline in consumer's disposable incomes due to the prevailing harsh economic challenges, and the projected impact of COVID-19 on demand. This decrease is expected to be partially offset by an increase in production and population growth. The 2020/21 MY domestic consumption was revised downwards to 290,000 MT, due to updated industry sales data and weaker than anticipated disposable incomes due to the impact of COVID-19.

The two main categories of consumers for sugar in Zimbabwe are manufacturers (beverages, confectioners, bakers and pharmaceuticals) and households. Domestic sugar consumption is usually categorized by 30 percent of white sugar and the remaining 70 percent of domestic consumption is brown sugar. Star Africa, the independent sugar refinery has significantly improved the quality and capacity of refined sugar that it produces including bottler grade sugar (Premium-refined sugar that has been graded).

The Zimbabwe per capita consumption of sugar at 24 kg/ year is higher than the average Africa per capita consumption at 17.2 kg, and global sugar per capita consumption at 23 kg. However, there are opportunities for further growth as some neighboring countries such as South Africa have a sugar per capita consumption of 45 kg. The growth in Zimbabwe`s per capita consumption is highly constrained by the limited disposable income and lower demand from the struggling manufacturing sector. The 2021 domestic retail price of white and brown sugar is about US$1.00 per kilogram, up from US$0.75 per kilogram in 2020. The industry currently sees minimal impact in the use of alternative sweeteners by some beverage producers, as the quantities utilized are still low.

Trade:
Exports

Post forecasts that Zimbabwe sugar exports will increase by 4 percent to 103,000 MT in the 2021/22 MY, from 99,000 MT in the 2020/21 MY, based on the increase in sugar production. The

2020/21 MY sugar exports were revised downwards to 99,000 MT, based on the pace of exports up to February 2021 and the impact of COVID-19 on demand and supply chains. Refined sugar has been converted to raw value using a factor of 1.07.

The main export destinations for Zimbabwe sugar are the United States, Eastern Africa (Kenya), Botswana, and South Africa. Zimbabwe is a beneficiary of the United States Tariff Rate Quota (TRQ) annual raw sugar allocation of 12,636 MT, which allows it to export raw sugar duty free to the United States. The TRQ amount has remained constant over the last several years. Zimbabwe always utilizes its quota allocation and additional re-allocations each year and is expected to fully utilize the 2021/22 MY and 2020/21 MY quota allocation.

Exports to Europe have significantly decreased since 2017, due to unfavorable prices and low returns when compared to other export markets such as East Africa. The European Union (EU) changed its domestic sugar policy in 2017 by removing restrictions for domestic sugar beet production and preferential sugar prices for developing countries including Zimbabwe. This change resulted in an increase in domestic sugar supply and decreases in sugar prices in the EU. Zimbabwe does not have a sugar quota to the EU.

Table 5: Raw Sugar Exports

Zimbabwe Export Statistics					
Commodity: Raw Sugar, HS170111, HS170112, HS170113, HS170114					
Year Ending: March					
Reporter	**Unit**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	68,121	62,815	98,608	85,284
Kenya	T	30,020	37,339	61,953	62,056
United States	T	17,443	12,034	13,804	19,378
Botswana	T	10	115	40	3,038
South Africa	T	0	8,334	2,902	812
EU 27	T	20,648	4,993	19,909	0

*Export figures up to February 2021.
Source: Trade Data Monitor

Table 6: Refined Sugar Exports

Zimbabwe Export Statistics					
Commodity: Refined Sugar, HS170191, HS170199					
Year Ending: March					
Reporter	**Unit**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	1,804	10,094	16,303	12,262
Kenya	T	1,070	8,014	13,957	8,560
Namibia	T	0	0	935	2,138
South Africa	T	253	0	1,410	1,564
Zambia	T	479	2,080	0	0
Botswana	T	0	0	1	0

*Export figures up to February 2021.
Source: Trade Data Monitor

Imports

Zimbabwean sugar imports have been minimal for the past three seasons as shown in **Table 7** and **Table 8**. This is due to the adequate raw sugar supply in the domestic market, and the only imports will be from South Africa, Botswana, Zambia and Eswatini under the Southern African Development Community (SADC) sugar quota. In addition, the drive by the industry to address the sugar refining quality issues and an increase in the local manufacture of bottler grade industrial white sugar has resulted in a drastic decline in imports of refined sugar. The 10 percent tariff plus US$100/MT on all sugar imports excluding from the Southern African Development Community (SADC) to protect the domestic industry has also resulted in minimal sugar imports.

Table 7: Raw Sugar Imports

Zimbabwe Import Statistics					
Commodity: Raw Sugar, HS170111, HS170112, HS170113, HS170114					
Year Ending: March					
Reporter	**Unit**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	2,365	4	35	811
South Africa	T	1	4	35	686
Botswana	T	0	0	0	125
Zambia	T	2,365	0	0	0

*Import figures up to February 2021.
Source: Trade Data Monitor

Table 8: Refined Sugar Imports

Zimbabwe Import Statistics					
Commodity: Refined Sugar, HS170191, HS170199					
Year Ending: March					
Reporter	**Unit**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	46	27	62	1,367
South Africa	T	10	26	61	1,367
Zambia	T	36	0	0	0
India	T	0	0	1	0

*Import figures up to February 2021.
Source: Trade Data Monitor

Sugar Closing Stocks

Post forecasts that the closing stocks will significantly increase to 111,000 MT in the 2021/22 MY, from 82,000 MT in the 2020/21 MY, based on the increase in sugar production and decreases in domestic consumption. 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 used by the milling companies and industry. Ownership of closing stocks is usually held by wholesalers, retailers, refineries and to a limited extent the Zimbabwe Sugar Sales Company. Larger closing stocks, especially those held by the Zimbabwe Sugar Sales Company pose a cost challenge to the industry as the growers and millers have to pay for the storage of such sugar.

Table 9: Production, Supply and Demand (PSD) Table for sugar

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Begin Year	April 2019		April 2020		April 2021	
Zimbabwe	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	36	36	25	60	0	82
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	442	442	460	409	0	415
Total Sugar Production	442	442	460	409	0	415
Raw Imports	1	1	1	1	0	1
Refined Imp.(Raw Val)	1	1	1	1	0	1
Total Imports	2	2	2	2	0	2
Total Supply	480	480	487	471	0	499
Raw Exports	89	99	88	86	0	90
Refined Exp.(Raw Val)	16	16	16	13	0	13
Total Exports	105	115	104	99	0	103
Human Dom. Consumption	350	305	340	290	0	285
Other Disappearance	0	0	0	0	0	0
Total Use	350	305	340	290	0	285
Ending Stocks	25	60	43	82	0	111
Total Distribution	480	480	487	471	0	499
(1000 MT)						

Policies and Regulations:

United States Sugar Tariff Rate Quota Allocation

The United States allows duty free access for Zimbabwe sugar under the Tariff Rate Quota (TRQ) program. The total TRQ allocation and re-allocations offered to Zimbabwe average about 12,000 to 14,000 MT annually. Zimbabwe usually fully utilizes its sugar quota as the U.S. market remains attractive compared to other markets. Post expects that Zimbabwe will fully utilize its allocated TRQ in the 2021/22 MY and 2020/21 MY.

Customs Duties

In 2014, the Zimbabwe government passed a 10 percent customs duty and US$100/MT surtax on all sugar imports from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Sothern Africa (COMESA) in a bid to protect the local industry from an influx of sugar imports from countries such as Brazil and India.

Import Permits

In 2014, the government also confirmed that no raw sugar import permits would be issued from countries other than members of SADC and COMESA. However, this import permit restriction, does not apply to sugar imports intended to satisfy the requirements for bottler grade sugar. Zimbabwe believes that there is an untapped market for sugar in African countries, and the prospective implementation of the recently signed African Continental Free Trade Area (AfCFTA) presents favorable market opportunities.

Domestic Retail Sugar Price Support

Star Africa Corporation an independent refinery supplies the majority (at least 80 percent) of refined sugar in Zimbabwe. In order to maintain low retail prices for sugar in Zimbabwe, the government negotiates a fair price at which Star Africa buys raw sugar from the sugar mills. As a result, Star Africa is also required to obtain permission from the government to increase the wholesale and retail prices of refined sugar sold in Zimbabwe.

Ethanol Production

Zimbabwe introduced mandatory blending of fuel with ethanol in 2011. Currently, minimum mandatory blending of vehicle fuels with ethanol is 20 percent, but varies depending on the domestic supply and availability of ethanol. Green Fuels had a monopoly in the production and supply of ethanol for fuel blending purposes. However, Triangle Sugar recently entered into a partnership with the National Oil Company of Zimbabwe (NOCZIM), to produce and market ethanol for fuel blending purposes. There are about 11 companies with licenses to blend ethanol into gasoline for retail sale at the pump.

Post estimates the total ethanol production in Zimbabwe to range between 40 million liters to 120 million liters annually based on the changes in sugar cane production, quality of sugar cane and factory efficiencies. Green Fuels has about 9,000 ha under sugarcane for the sole production of ethanol, and a capacity to produce about 120 million liters of ethanol annually. Fuel grade ethanol produced by Triangle Sugar is a complementary product to sugar and is produced from molasses (by-product of sugar production). This makes ethanol produced by Triangle Sugar cheaper than the ethanol produced by Green Fuels from fermentable sugar. Triangle Sugar ethanol production is estimated to range from 20 to 50 million liters annually.

Cogeneration of Electricity

The Hippo Valley and Triangle Sugar Mills generate sufficient electricity by burning bagasse to power their mills during peak production periods. They can also supply surplus electricity to the national grid. An electricity swap agreement was made with the Zimbabwe Power Company for the sugar mills to supply electricity to the national grid during the mills peak production periods and to draw down some electricity from the national grid during off-peak periods. As a result, the net usage of electricity by the sugar mills is believed to be minimal.

Vitamin A Fortification

The Zimbabwean government passed a regulation for the mandatory fortification of household sugar with Vitamin A effective July 1, 2017. This regulation was passed as part of the Zimbabwe National Food Fortification Strategy 2014 - 2018, which is aligned to the National Food and Nutrition Strategy for Zimbabwe that serves as a guideline to both policy and implementation levels to prevent micronutrient deficiencies. Click here to download the National Food and Nutrition Strategy. The strategy was developed to address the micronutrient deficiency burden in the country as revealed by the 2012 Zimbabwe Micronutrient Survey. According to the survey, 19 percent of children aged 6 - 59

months are vitamin A deficient, while 72 percent have iron deficiency, and 31 percent are anemic, and nearly 1.5 Million working age adults with anemia suffer deficits in work performance.

Attachments:

No Attachments