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Date: 4/15/2019
GAIN Report Number: ZW1901

Zimbabwe

Sugar Annual

Zimbabwe Boosts Sugar Exports by 23 percent

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Report Highlights:
Post forecasts that sugar cane production in Zimbabwe will increase by 4 percent to 3.7 million Metric Tons (MT) in the 2019/20 MY, based on normal weather conditions, increased area planted, an accelerated sugarcane root replant program, and improved sugar cane yields due to sufficient irrigation water. Post forecasts that sugar production in Zimbabwe will increase by 6 percent to 490,000 MT in the 2019/20 MY, due to an increase in the quantity of sugar cane delivered to the mills, improved sugar cane quality (sucrose content), and improved sugar mill efficiencies (sugar recovery rate). As a result, sugar exports are estimated to increase by 23 percent to 117,000 MT in the 2019/20 MY. Post forecasts that Zimbabwe will fully utilize the United States Tariff Rate Quota (TRQ) allocation of 12,636 MT for the 2019/20 MY, as the United States is still considered a premium market.

Commodities:

Sugar, Centrifugal
Sugar Cane for Centrifugal

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

MT – Metric Tons
Hectares - Ha
MY – Marketing Year (April to March)

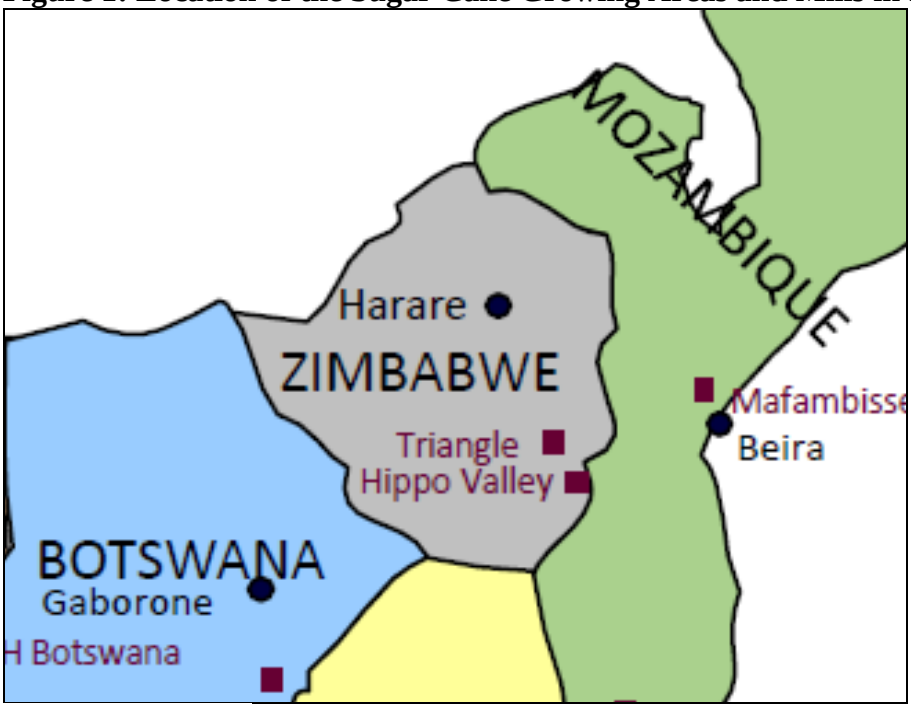
Background

Sugar cane in Zimbabwe is grown under canal irrigation in the lowveld area (elevation under 2,000 feet above sea level) of Triangle and Hippo Valley, in the Chiredzi District, Masvingo Province, as shown in **Figure 1**. 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 newly resettled farmers, produce 20 percent of the country's sugar cane crop. Private growers are all the individual sugar cane farmers, who are not part of the Triangle and Hippo Valley Estates. Due to their diverse interests and regular disagreements, there are at least five associations representing private growers as shown in **Figure 2**.

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 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 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. Star Africa produces about 80 percent of the total refined sugar including bottler grade white sugar (Premium-refined sugar that has been graded).

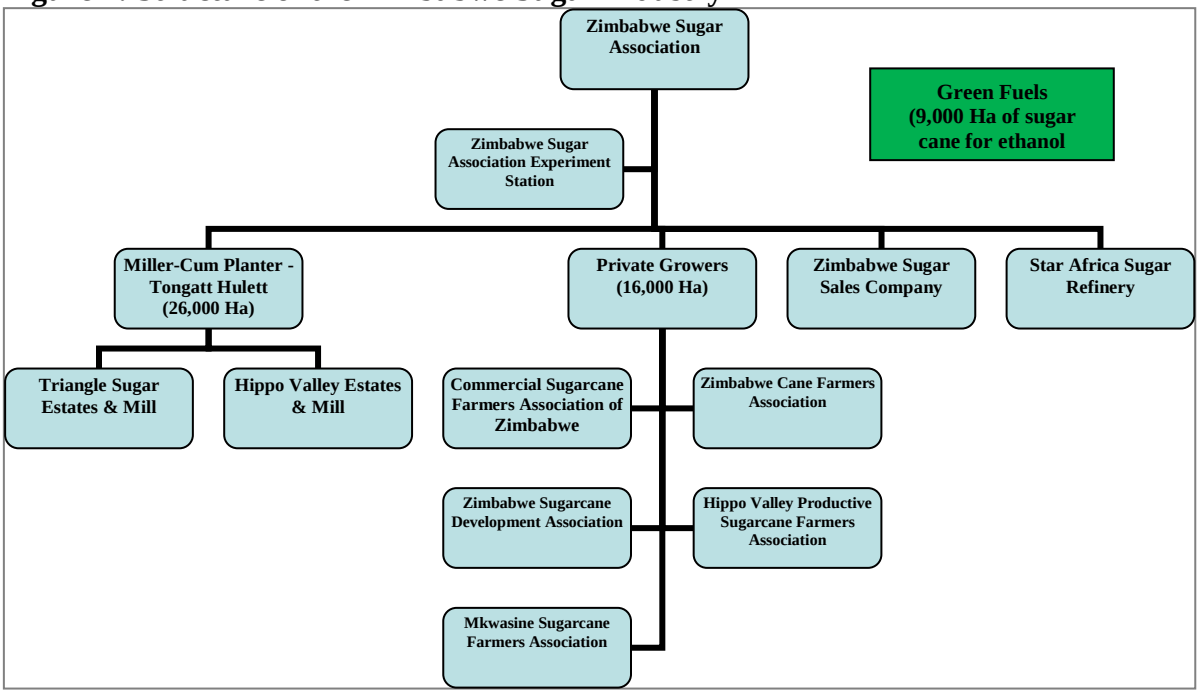
The Zimbabwe Sugar Association is the highest decision making authority in the industry on common issues for sugar cane growers and sugar millers. Common issues include sugar cane pricing, and government lobbying. In addition, the Zimbabwe Sugar Association Experiment Station (ZSAES) conducts research for the industry and is funded from the sales of sugar based on a zero-budget basis. The Zimbabwe Sugar Sales Company (ZSSC) was founded by growers to sell sugar on their behalf. The ZSSC exports and sells raw sugar to Star Africa, an independent refinery, and also to Triangle Sugar Mill for further processing.

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



Source: Tongaat Hulett

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 4 percent to 3.7 million MT in the 2019/20 MY, from 3.6 million MT in the 2018/19 MY, based on normal weather conditions, increase in area planted, accelerated sugarcane root replant program, and improved sugar cane yields due to the sufficient irrigation water. Sugar cane production in Zimbabwe was not affected by Cyclone Idai, as other parts of the county were. This increase is expected to be offset by lower sugar cane yields from some poorly performing new smallholder sugar farms and beneficiaries of the land reform program, as explained at the end of the report under the section on land reform. The 2018/19 MY sugar cane production was revised upwards to 3.6 million MT due to the higher than projected cane yields as industry fully recovered from the 2017 drought. There is no commercial sugar beet production in Zimbabwe.

While the dam levels in 2019 are slightly lower than in 2018 as shown in **Table 1**, there is sufficient irrigation water for the 2019/20 MY sugar cane crop. The Tokwe Mukosi and Mutirikwi – Tokwe 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	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)
Tokwe Mukosi*	1 802 600	-	69%	74%	59%
Mutirikwi - Tokwe	1 378 080	25%	36%	50%	52%
Manjirenji	274 170	38%	95%	94%	83%
Manyuchi	309 600	86%	103%	107%	77%

* Completed in December 2016
Source: Zimbabwe National Water Authority

Post forecasts that the area planted to sugar cane will increase by 4 percent to 49,000 hectares (Ha) in the 2019/20 MY, from 47,000 ha in the 2018/19 MY, due to the availability of irrigation water, accelerated sugarcane root replant program (15 percent of sugar growing areas re-planted annually) and new plantings under the Agricultural Improvement Plan implemented in 2017. **Table 2** provides statistics on sugar cane production and average yields in Zimbabwe from the 2014/15 MY to the 2019/20 MY. While average yields are listed as 80.4 MT/Ha in the 2019/20 MY, the variation in yields ranges widely from 4 MT/Ha for poorly performing farmers 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*	47,000	45,000	3,560,000	79.1
2019/20**	49,000	46,000	3,700,000	80.4

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

Zimbabwe currently has fourteen 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 60 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 could potentially flood the mill diffusers, this variety is suspected to now account for at least 20 percent of the total sugar cane production. One of the challenges faced by the Zimbabwe Sugar Association Experiment Station (ZSAES) is that it has no ownership of the varieties listed in Zimbabwe. The industry is in the process of resolving the ownership of the sugar cane varieties by listing the approved varieties under the Seed Act in a federal register. 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	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2018		Apr 2018		Apr 2019	
Zimbabwe	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	44	46	47	47	0	49
Area Harvested	41	41	44	45	0	46
Production	3180	3130	3500	3595	0	3740
Total Supply	3180	3130	3500	3595	0	3740
Utilization for Sugar	3180	3101	3500	3560	0	3700
Utilizatn for Alcohol	0	29	0	35	0	40
Total Utilization	3180	3130	3500	3595	0	3740
(1000 HA) ,(1000 MT)						

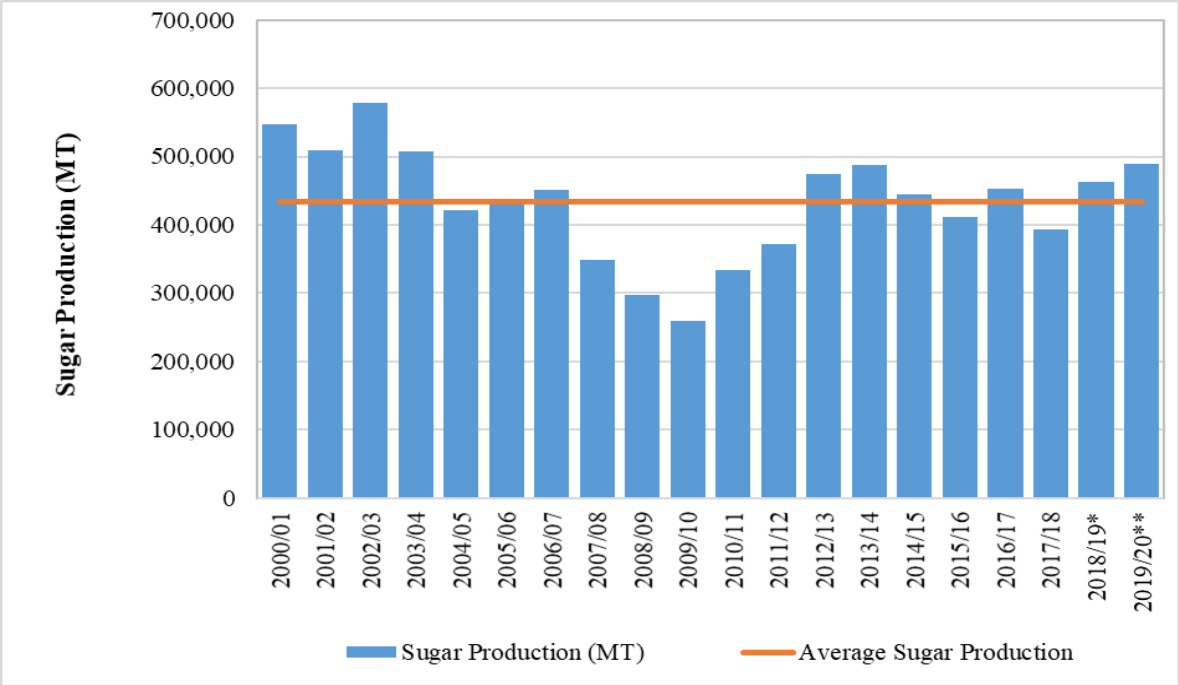
Sugar:

Production

Post forecasts that sugar production in Zimbabwe will increase by 6 percent to 490,000 MT in the 2019/20 MY, from 463,000 MT in the 2018/19 MY. This is due to an increase in the quantity of sugar cane delivered to the mills, improved sugar cane quality (sucrose content), and improved sugar mill efficiencies (sugar recovery rate). Sugar recovery rate refers to the number of kilos of sugar obtained from a metric ton of sugar cane, expressed as a percentage. The 2018/19 MY sugar production was revised upwards to 463,000 MT based on the higher than expected quantity of sugar cane delivered to the mills, and updated industry statistics.

Sugar production has been increasing since the 2018/19 MY, an indication of a full recovery from the 2017 drought. **Figure 3** shows that while the 2019/20 MY and 2018/19 MY sugar production is above the industry average, 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 MYto the 2009/10 MY, is mainly due to the rapid decline in the economic performance of Zimbabwe.

Figure 3: Zimbabwe Sugar Production



**Forecast.*Estimate.
Source: Tongaat Hulett

Table 4 below confirms the improved mill efficiencies and better quality of sugar cane, as the Sugar to Cane ratio percentage is forecast to increase to 13.2 percent in the 2019/20 MY, from 13.0 percent in the 2018/19 MY.

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*	3,560,000	463,000	13.0%
2019/20**	3,700,000	490,000	13.2%

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

Consumption

Post forecasts that sugar consumption in Zimbabwe will increase by 5 percent to 368,000 MT in the 2019/20 MY, from 350,000 MT in the 2018/19 MY. This is due to an increase in production, population growth, and improved market access in the remote areas of the country. This increase was partially offset by the high levels of unemployment, and economic challenges faced by consumers.

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 23 kg/ year is still relatively low when compared to the regional average of about 30 kg/ year. This is due to the limited disposable income and lower demand from the struggling manufacturing sector. The 2019 domestic retail price of white and brown sugar is about US$1.50 per kilogram, up from US$0.95 in 2018. The industry currently sees no 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 23 percent to 117,000 MT in the 2019/20 MY, from 95,000 MT in the 2018/19 MY, based on the increase in sugar production and growing demand from Kenya. The 2018/19 MY sugar exports were revised downwards to 95,000 MT, based on the pace of exports up to February 2019 and poor sales performance in the European Union (EU) markets. 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, South Africa and the EU. 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 2018/19 MY and 2019/20 MY quota allocation.

Exports to the EU have significantly decreased since 2017, due to unfavorable prices and low returns when compared to other export markets such as East Africa. The EU 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 supply 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.

Table 5: Raw Sugar Exports

Zimbabwe Export Statistics						
Commodity: Raw Sugar, HS170111, 170112, 170113, 170114						
Year Ending: March						
		Quantity				
Reporting Country	**Unit**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19***
Reporting Total	T	224,397	185,428	130,546	77,133	49,232
Kenya	T	1,350	2,000	23,925	30,020	24,335
United States	T	23,981	15,116	14,715	17,443	12,034
Botswana	T	0	0	1,266	9,022	8,548
South Africa	T	0	0	1,329	0	4,315
Portugal	T	79,916	0	0	20,648	0
Croatia	T	0	21,635	0	0	0
Finland	T	0	0	6,976	0	0
France	T	0	46,746	0	0	0
Germany	T	0	24,902	6,985	0	0
Italy	T	24,926	0	27,414	0	0
Netherlands	T	25,000	0	0	0	0
Poland	T	0	49,963	17,999	0	0
Romania	T	20,354	25,066	29,937	0	0
Spain	T	48,870	0	0	0	0

*Export figures up to February 2019. Source: Global Trade Atlas (GTA)

Table 6: Refined Sugar Exports

Zimbabwe Export Statistics						
Commodity: Refined Sugar (HS170199, 170191)						
Year Ending: March						
Reporting Country	**Unit**	Quantity				
		2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19***
Reporting Total	T	3,688	21,998	5,376	1,325	3,210
Kenya	T	0	0	1,070	1,070	3,210
Botswana	T	3,687	21,932	4,306	0	0
South Africa	T	1	66	0	254	0

*Export figures up to February 2019. Source: GTA

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 and Swaziland who enjoy duty free access into the Zimbabwe market. 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 on all sugar imports introduced by the Zimbabwean government in 2014 to protect the domestic industry has also resulted in minimal sugar imports.

Table 7: Raw Sugar Imports

Reporting Countries Export Statistics (Partner Country: Zimbabwe)					
Commodity: Raw Sugar (HS170111, 170112, 170113, 170114)					
Year Ending: March					
Reporting Country	Unit	Quantity			
		2015/16	2016/17	2017/18	2018/19*
Reporting Total	T	110	3	2	21
Botswana	T	0	0	1	18
South Africa	T	110	3	1	3

*Import figures up to February 2019. Source: GTA

Table 8: Refined Sugar Imports

Zimbabwe Import Statistics						
Commodity: Refined Sugar (HS170199, 170191)						
Year Ending: March						
Reporting Country	Unit	Quantity				
		2014/15	2015/16	2016/17	2017/18	2018/19*
Reporting Total	T	46,148	10,318	40	11	21
Kenya	T	0	2	0	0	0
Botswana	T	46,148	10,316	40	11	21

*Import figures up to February 2019. Source: GTA

Sugar Closing Stocks

Post forecasts that the closing stocks will increase to 29,000 MT in the 2019/20 MY, from 24,000 MT in the 2018/19 MY, based on the increase in sugar 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. 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	2017/2018		2018/2019		2019/2020	
Market Begin Year	April 2017		April 2018		April 2019	
Zimbabwe	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	29	29	15	6	0	24
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	393	393	460	463	0	490
Total Sugar Production	393	393	460	463	0	490
Raw Imports	13	0	13	0	0	0
Refined Imp.(Raw Val)	30	0	25	0	0	0
Total Imports	43	0	38	0	0	0
Total Supply	465	422	513	469	0	514
Raw Exports	110	77	130	90	0	110
Refined Exp.(Raw Val)	10	1	15	5	0	7
Total Exports	120	78	145	95	0	117
Human Dom. Consumption	330	338	345	350	0	368
Other Disappearance	0	0	0	0	0	0
Total Use	330	338	345	350	0	368
Ending Stocks	15	6	23	24	0	29
Total Distribution	465	422	513	469	0	514
(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 2018/19 MY and 2019/20 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.

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 Continental Free Trade Agreement 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, 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. 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 produced 26.1 million liters in the 2018/19 MY, up from 21.7 million liters in the 2017/18 MY, due to the increase in sugar cane and molasses production. It is expected that ethanol production by Triangle Sugar will also increase, based on the increase in sugar production in the 2019/20 MY. Green Fuels has about 9,000 ha under sugarcane for the sole production of ethanol, and produced 56 million liters in the 2018/19 MY. 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. This development is expected to have an impact on the viability and competitiveness of Green fuels. Private farmers are restricted from supplying sugar cane to Green Fuels by binding supply agreements with the sugar mills.

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.

Impact of the Land Reform Policy

The impact of the land reform program and the uncertain political situation is evident in the sugar cane industry. The condition of the irrigation infrastructure at the well managed Triangle and Hippo Valley Estates is evidently much better and well maintained in comparison to the run-down infrastructure on the land reform farms. In addition, cane yields at Triangle and Hippo Valley Estates average about 160 MT/Ha, compared to the low yields (low as 4 tons/ hectare) of the land reform farms. One of the main issues confronting smallholder farmers who were allocated land during the land reform process is the lack of coordination and cooperation to maintain, clean or repair public irrigation facilities such as pipes, dams and cleaning water canal. This has resulted in water leaks from dams or pipes resulting in saltation of some cane fields, and poor flow of irrigation water. These issues are increasing each year

and are expected to further impact sugar cane production if they are not addressed. Some of the land that was allocated to smallholder farmers during the land reform process is now fallow as new farmers are not re-investing, and/or are employing unqualified labor force to manage the farms, further compounding the problem.

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.