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Report Name: Sugar Semi-annual

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Post: Pretoria

Report Category: Sugar

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Report Highlights:

Post estimates that the sugar cane crop will decrease by less than 1 percent to 19.1 million MT in the 2020/21 MY, based on frost and fire damage in some growing areas, some growers diversifying to more profitable crops, and lower replanting levels. Sugar production is estimated to decrease by 3 percent to 2.2 million MT in the 2020/21 MY, due to the decrease in cane quality and volume delivered to the mills, and lower mill efficiencies. However, domestic sugar consumption is estimated to increase by 4 percent to 1.7 million MT in the 2020/21 MY, based on the surge in demand during the national lockdown from consumers stuck at home resulting in an increase in activities such as cooking and home baking. Sugar exports are estimated to decrease by 15 percent to 1.2 million MT in the 2020/21 MY, based on the decline in demand due to the impact of COVID-19 and decrease in production. South Africa is expected to fully utilize the United States Tariff Rate Quota (TRQ) allocation in the 2020/21 MY.

Commodities:
Sugar, Centrifugal
Sugar Cane for Centrifugal

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
South African Farmers Development Association - http://sa-fda.org.za/

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

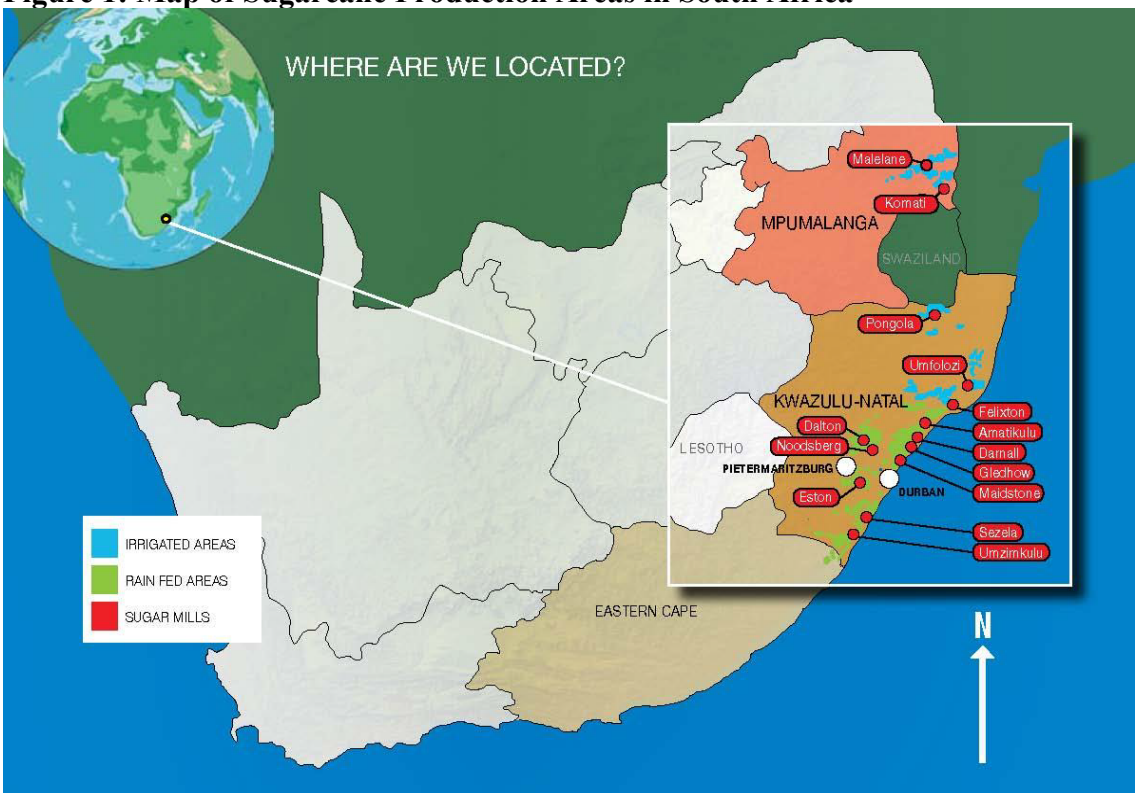
1US$ = 16.88 Rands as at September 22, 2020

Background

Sugar cane in South Africa is grown in the Kwa-Zulu Natal Province and Mpumalanga Province as shown in **Figure 1**. 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 percent of production is accounted for by small scale farmers.

The sugar industry classifies growers based on sugar cane production. Large scale growers refers to all growers producing above 1,800 Metric Tons (MT) of sugar cane per season, and 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, comprising of 1,369 large scale growers and 21,581 small scale growers. Both large scale and small scale farmers are required to sign a sugarcane 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)

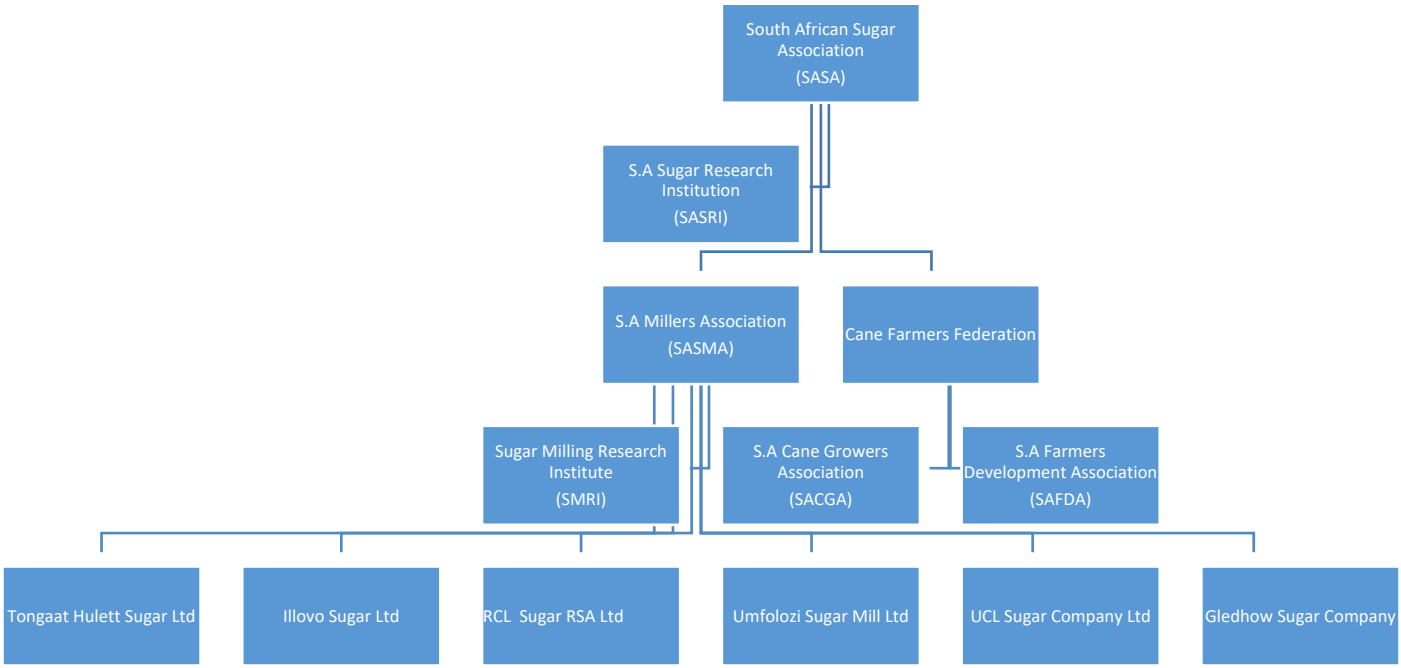
Figure 2 shows the structure of the South African sugar industry. The South African Sugar Association (SASA) is funded by both growers and milling companies, and is the highest decision making authority in the industry on common issues for sugar cane growers and sugar millers. SASA provides support services 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.

There are two associations representing sugar cane growers, the South African Canegrowers Association (SACGA) and the South African Famers Development Association (SAFDA). SACGA was the first association established in 1927 and currently represents predominantly white large scale growers with some small scale growers. SAFDA was formed in 2017, initially to represent the interest 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 it offers including bulk procurement of input of supplies, land reform support and development finance.

The South African Sugar Millers Association (SASMA) represents the interest of the six sugar milling companies; 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, 12 in the Kwa-Zulu Natal Province and 2 in the Mpumalanga Province. Notably, two

of the sugar mills (Darnall and Umzimkulu Mill) were not opened in the 2020/21 MY, due to financial challenges and the milling company's strategy to maintain their commercial viability. The 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 outside South Africa 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.

Figure 2: Structure of the South African Sugar Industry



Source: SASA, SACGA, & SAFDA.

Sugarcane:

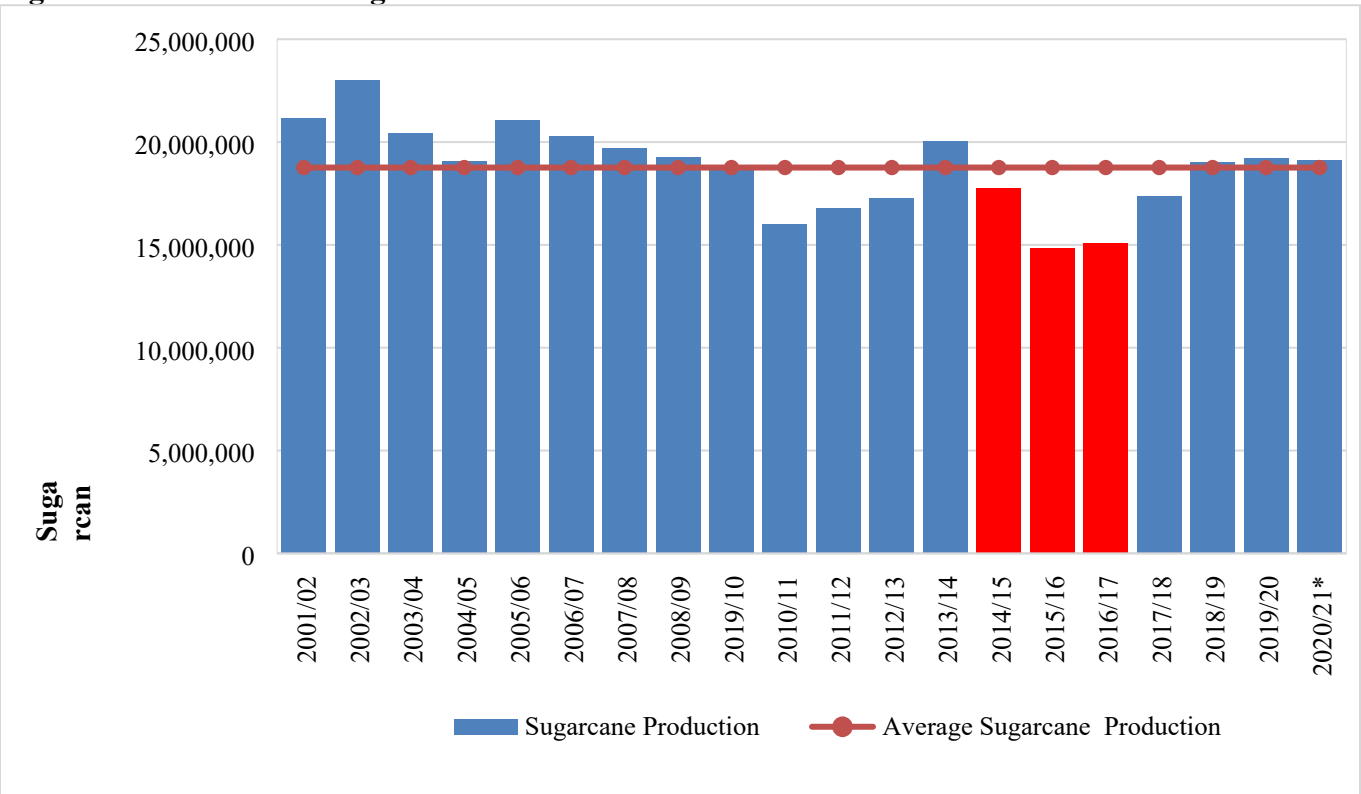
Production

Post estimates that the sugar cane crop will decrease marginally by less than 1 percent to 19.1 million MT in the 2020/21 MY, from 19.2 million MT in the 2019/20 MY. This is based on frost and fire damage in some growing areas, some growers diversifying to more profitable crops, and lower replanting from growers who are under financial distress. This was partially offset by increases in area planted from small scale growers who received financial, input and technical support from the industry through SAFDA and SASA. The industry expects the impact of Covid-19 on the 2020/21 MY sugar cane production to be minimal based on normal operations in most farms as there were minimal disruptions to inputs or labor supply during harvesting. All agricultural production was considered an essential service during South Africa's national lockdown due to Covid-19 between March and August. There is no commercial sugar beet production in South Africa.

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 decrease to 76.1 MT/hectare (HA) in the 2020/21 MY, from 77.1 MT/HA in the 2019/20 MY, due to the impact of pests, frost and fire damage, and some growers harvesting their cane earlier than normal. **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 Kwa-Zulu 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 fertilizer, electricity and fuel costs, 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.

Figure 3: South African Sugar Cane Production



* Estimate.
Source: South African Canegrowers Association

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	249,500	19,241,812	77.1
2020/21*	374,000	251,000	19,100,000	76.1

* Estimate.
Source: South African Canegrowers Association

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. **Table 2** shows that the sugarcane price paid to growers is expected to increase by 14 percent to R4,797 (US$284) in the 2020/21 MY, from R4,220.58 (US$250) in the 2019/20 MY, mainly due to weakening of the Rand to the U.S. dollar. This price was partially offset by low global prices that reduced revenue on the export market. The export prices are in US$, hence they are subject to exchange rate fluctuations.

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*	4,797.47	14%

*Estimate.
Source: South African Canegrowers Association

Table 3: Production, Supply and Demand (PS&D) for Sugar Cane

Sugar Cane for Centrifugal	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	364	364	366	373	370	374
Area Harvested	247	247	250	261	251	262
Production	19032	19032	19242	19242	19400	19100
Total Supply	19032	19032	19242	19242	19400	19100
Utilization for Sugar	19032	19032	19242	19242	19400	19100
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	19032	19032	19242	19242	19400	19100
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post estimates that South African raw sugar production will decrease by 3 percent to 2.2 million MT in the 2020/21 MY, based on the decrease in sugar cane quality and quantity delivered to the mills, and lower 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 percentage of sugar produced from each ton of sugar cane is estimated to decrease to 11.65 percent in the 2020/21 MY, from 11.93 percent in the 2019/20 MY, as shown in **Table 4**. Two sugar mills (Darnall and Umzimkulu) were not opened in the 2020/21 MY, due to the financial difficulties faced by the industry. The closure of the two sugar mills resulted in growers diverting their sugar cane to other sugar mills. Diversion of cane means higher transport costs as cane is transported over longer distances, and deterioration of cane quality due to the longer time period between harvesting and crushing. The impact of Covid-19 on the 2020/21 MY and 2019/20 MY sugar production was minimal due to normal operations at sugar mills and limited disruptions to input and labor supply.

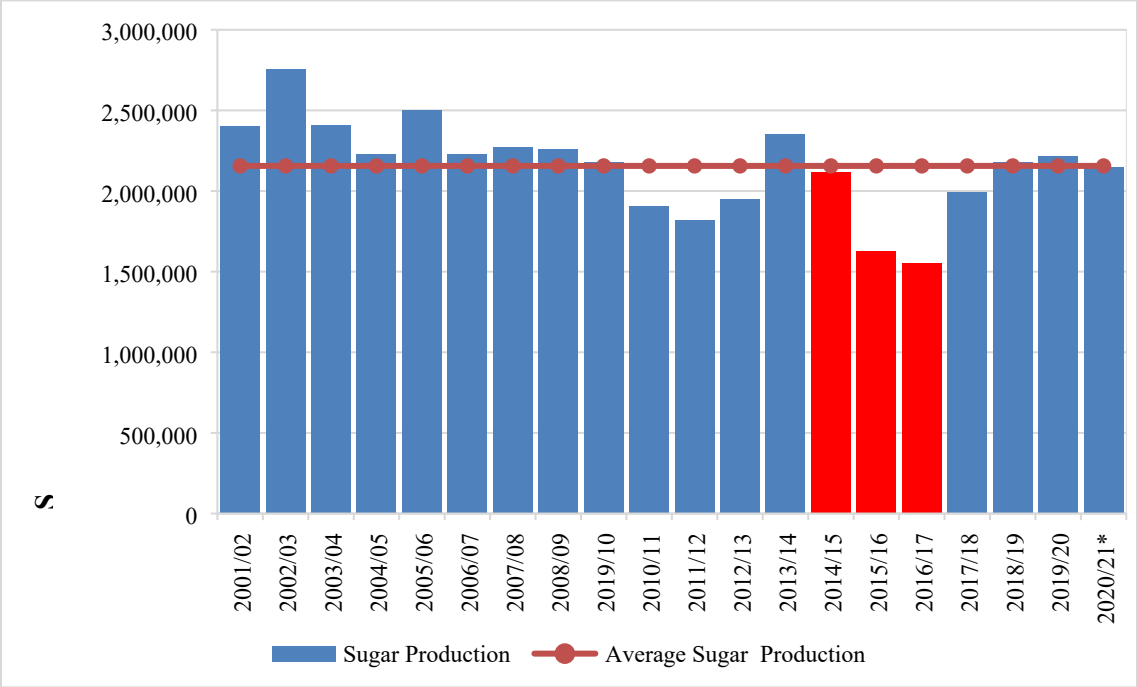
Table 4: Sugar Production and Factory Recoveries in South Africa

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*	19,100,000	2,150,000	2,225,250	11.65%

* Estimate. ** Raw Value = Tel Quel x 1.035.
Source: SACGA, SASA and Post Estimates.

Figure 4 shows that sugar production from the 2018/19 MY to 2020/21 MY is above the average sugar production levels. This marks a return to normal sugar production after four years of drought between the 2015/16 MY and 2017/18 MY. However, sugar production is yet to reach the peak production levels of 2.8 million MT recorded in the 2002/03 MY.

Figure 4: Sugar Production



*Estimate.
Source: SASA

Consumption

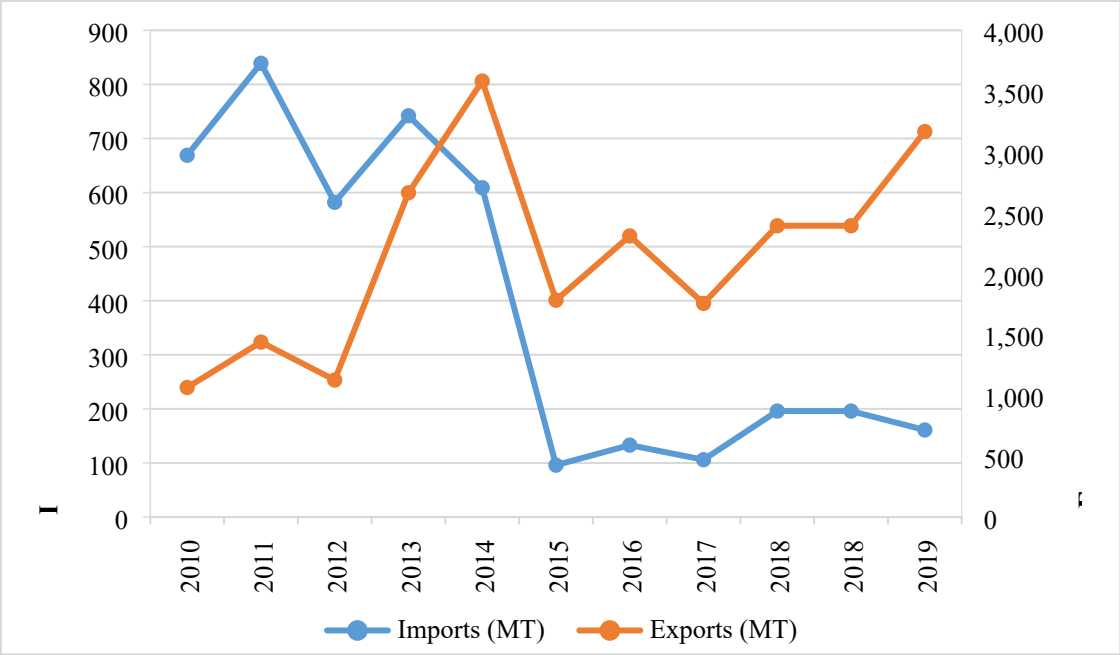
Post estimates that domestic sugar consumption will increase by 4 percent to 1.7 million MT in the 2020/21 MY, from 1.6 million MT in the 2019/20 MY. This is based on the pace of sugar sales up to August 2020, growth in population, and a surge in demand during the national lockdown from consumers stuck at home resulting in an increase in activities such as cooking and home baking. However, domestic consumption is expected to be partially offset by the decrease in demand of sugar from the beverage sector following the introduction of the tax on sugar sweetened beverages in 2018 and the 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 domestic consumption of sugar is expected to increase by up to 300,000 MT in the next 3 years if the recently announced South African Sugarcane Value Chain Master Plan to 2030 is implemented effectively. The sugar master plan is discussed at the end of the report under the Policy section.

In June 2020, the South African Department of Trade, Industry and Competition (DTIC) published the South African Sugarcane Value Chain Master Plan to 2030, with an objective to ensure the long-term sustainability and profitability of the sector through various measures including a commitment to increase the local market demand for sugar by 300,000 MT in the next 3 years, starting with 150 000 tons in the 2020/21 MY.

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 the total domestic sugar sales, while direct home consumption accounts for 40 percent of the total domestic sugar sales. 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, the South African per capita consumption is still much lower to the U.S. per capita consumption of between 68 to 77 kg per year. The retail price of brown and refined sugar in South Africa ranges from US$.82 to US$1.00 per kilogram, and is affordable to the majority of the population.

Post expects a continued increase in the use of artificial sweeteners based on the measures undertaken by the beverage sector to either avoid or minimize the impact of the tax on sugar sweetened beverages. The beverage sector has been reformulating their drinks to reduce the sugar content by combining less sugar with an increased use of artificial sweeteners such as aspartame, stevia leaf extract, sucralose and acesulfame potassium. There are reports that other sectors not impacted by the sugar tax such as chocolate manufacturers have also voluntarily started reducing the use of sugar and replacing it with artificial sweeteners. This is expected to drive the use and demand of artificial sweeteners in South Africa. South Africa is currently a net exporter of sweeteners as shown in **Figure 5**. The increased demand of artificial sweeteners over the years has resulted in the growth of artificial sweetener domestic production, and decline in imports. Some sugar milling companies are also invested in the artificial sweetener industry. However, the sugar industry in South Africa still believes that the use of artificial sweeteners has minimal impact to sugar demand or is insignificant to the industry.

Figure 5: Import and Exports of Sweetening Substances (HS 2106.90.35)



Source: Trade Data Monitor (TDM)

Trade:

Exports

Post estimates that sugar exports will decrease significantly by 15 percent to 1.2 million MT in the 2020/21 MY, from 1.5 million MT in the 2019/20 MY. This is based on the pace of exports up to July 2020, decrease in production, and decline in demand due to the impact of COVID-19 on economies, consumer incomes and disruptions to some global supply chains. The 2019/20 MY exports were revised upwards to 1.5 million MT based on final Trade Data Monitor (TDM) figures.

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 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.

Malaysia is the leading market for South African raw sugar exports accounting for 54 percent of the total raw sugar exports in the 2019/20 MY, followed by India (12 percent), China (8 percent), Italy (7 percent), Namibia (5 percent), United Kingdom (4 percent), and United States (3 percent). Raw sugar exports to Malaysia, India and China are not consistent and are driven by the large surplus sugar available in South Africa. It is expected that exports to Malaysia will continue in the 2020/21 MY, based on the surplus sugar available in South Africa. Notably, Malaysia is always a net importer of raw sugar to process for further re-exports.

Raw sugar exports from South Africa to the European Union (EU) account for 8 percent of the total South African raw sugar exports in the 2019/20 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. Exports to the EU are expected to continue in the 2020/21 MY, despite the uncertainty of the sugar prices in the EU. The impact of Brexit to South African sugar exports is expected to be minimal as South Africa is in the process of finalizing a 60,000 MT quota to the United Kingdom.

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) annual raw sugar allocation of 24,220 MT for Fiscal Year (FY) 2021, which allows it to export raw sugar duty free to the United States. The TRQ amount has remained constant over the last several years. The United States is a premium market for South Africa. South Africa always utilizes its quota allocation each year has already fully utilize the 2020/21 MY and 2019/20 MY quota allocation. The sugar industry marketing year runs from April to March, while the TRQ financial year runs from October to September, which results in the TRQ for two different financial years being recorded in one marketing year. For example, **Table 5** shows that exports to the United States were 56,540 MT in the 2017/18 MY, yet this tonnage refers to the TRQ allocations for two fiscal years.

Mozambique, Namibia, Botswana, Madagascar, United Kingdom, 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 1.07. BioCom is now the first Angolan company to produce and sell sugar in Angola, and this may have an impact on South African refined sugar exports in the long term should production in Angola increase significantly.

Table 5: Raw Sugar Exports

South Africa Exports to the World							
Commodity: 170111/170112/170113/170114							
Year Ending Plus: April - March							
Partner	**Unit**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	157,805	128,596	454,405	575,043	971,026	347,111
Malaysia	T	0	0	0	281,450	527,754	43,187
India	T	0	0	0	0	113,866	0
China	T	0	0	157,245	0	73,500	50,925
Italy	T	0	0	105,008	60,635	70,000	28,800
Namibia	T	98,034	93,083	26,398	14,547	48,228	10,306
United Kingdom	T	0	0	35,000	100,110	41,000	0
United States	T	23,087	0	56,539	22,914	26,285	24,441
Spain	T	0	0	0	31,000	20,000	0
Bulgaria	T	0	0	0	25	18,480	0
Botswana	T	19,249	18,631	21,880	13,673	15,345	4,263
Lesotho	T	14,355	13,285	12,436	13,322	13,029	5,184
Mozambique	T	2,086	2,361	1,562	2,809	1,733	732
Congo (DROC)	T	13	12	2	70	1,021	1,388
Greece	T	0	0	0	0	400	0
Eswatini	T	419	408	738	292	283	117
Zimbabwe	T	110	5	1	4	35	431
Angola	T	131	741	54	60	21	0
Tanzania	T	2	10	6	2,323	11	2,000
Saint Helena	T	33	19	23	10	7	3
South Korea	T	0	0	0	0	0	87,832
Indonesia	T	0	0	0	0	0	57,500
Japan	T	0	0	27,000	0	0	30,000

*Export figures up to July 2020.
Source: Trade Data Monitor (TDM)

Table 6: Refined Sugar Exports

South Africa Exports to the World							
Commodity: 170191/170199							
Year Ending Plus: April - March							
Partner	**Unit**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	146,195	87,564	314,140	466,306	480,318	157,087
Mozambique	T	55,231	25,272	142,019	195,796	164,328	64,785
United Kingdom	T	2	0	12,824	27,394	79,960	26,434

Namibia	T	11,077	7,985	36,169	65,340	66,768	13,053
Malaysia	T	0	1	1	0	47,080	0
Madagascar	T	9,796	81	22,466	40,789	31,613	7,675
Botswana	T	24,624	38,755	30,257	32,470	30,866	8,619
Italy	T	1	0	1,627	9,515	17,600	4,256
Spain	T	0	17	0	2,157	17,266	4,537
Angola	T	13,282	5,414	14,749	11,293	7,139	798
Lesotho	T	5,081	5,341	4,668	4,767	3,675	1,497
Greece	T	0	0	8,207	51	2,782	1,896
Mayotte	T	2,316	2,109	3,024	2,836	2,625	107
Comoros	T	3,679	967	4,078	2,522	2,437	2,073
Congo (DROC)	T	2,498	46	1,472	6,907	2,163	1,318
Malta	T	0	0	0	552	1,058	0
Seychelles	T	27	32	139	715	939	28
Tanzania	T	1	2	1,553	17,381	901	3,702
Cyprus	T	0	0	0	0	690	230
France	T	0	0	0	189	107	0
Eswatini	T	42	43	165	350	83	10
Zimbabwe	T	10,318	405	10	26	61	713
Germany	T	4	3	1	1	43	0
United States	T	128	8	2,698	94	19	0

* Export figures up to July 2020.
Source: TDM

Imports

Post estimates that total sugar imports will remain flat at 500,000 MT in the 2020/21 MY, from 497,835 MT in the 2019/20 MY, based on the pace of imports up to July 2020, the incentives for manufactures to utilize local sugar instead of imports and depressed demand of sugar due to COVID-19.

Raw sugar imports from Eswatini accounted for 93 percent of the total South African raw sugar imports in the 2019/20 MY because Eswatini is part of SACU and its imports are not subject to any customs duty. This is expected to continue in the 2020/21 MY. Raw sugar imports from Brazil and the United Arab Emirates only accounted for less than 1 percent of the total South African imports in the 2019/20 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 level of customs duty applicable, as explained in the section under import restrictions using the domestic Dollar Based Reference Price.

Refined sugar imports from Eswatini accounted for 40 percent of the total South African refined sugar imports in the 2019/20 MY, followed by Brazil (20 percent), Zambia (15 percent), India (10 percent) and Malawi (3 percent). The percentage share of refined imports from Brazil and the United Arab Emirates also decreased from 49 percent and 16 percent in the 2017/18 MY, to 15 percent and 1 percent in the 2019/20 MY, respectively.

Table 7: Raw Sugar Imports

South Africa Imports from the World							
Commodity: 170111/170112/170113/170114							
Year Ending Plus: April - March							
Partner	**Unit**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	362,076	368,474	433,326	329,169	381,568	141,574
Eswatini	T	331,895	291,848	256,174	284,383	353,235	137,350
India	T	5	73	27	3,361	12,706	1,082
Malawi	T	0	0	532	3,794	5,488	736
Zimbabwe	T	0	1,330	0	8,334	2,902	646
Mozambique	T	0	0	20	1,999	2,521	0
Brazil	T	15,552	23,638	43,989	9,260	1,215	1,386
France	T	0	0	480	4,400	416	0
Thailand	T	627	1,587	23,000	0	325	0
Zambia	T	9,991	5,925	5,023	1,501	258	203
Belgium	T	0	5	4,925	1,200	245	0
Botswana	T	1	36	177	103	172	1
Germany	T	135	158	2,033	2,026	104	0
Mauritius	T	44	61	2,462	469	79	35

* Import figures up to July 2020.
Source: TDM

Table 8: Refined Sugar Imports

South Africa Imports from the World							
Commodity: 170191/170199							
Year Ending Plus: April - March							
Partner	**Unit**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21***
World	T	107,559	375,525	314,214	212,420	116,267	39,009
Eswatini	T	17,903	30,341	27,370	62,205	46,657	12,349
Brazil	T	63,306	184,136	152,380	41,323	23,546	20,805
Zambia	T	6,629	3,632	2,598	10,776	17,035	357
India	T	3,390	6,021	2,147	13,265	12,044	2,174
Malawi	T	8,753	5,004	5,487	5,123	3,003	797
Mauritius	T	0	4	2,365	2,861	2,809	6
Unidentified	T	145	4	1,181	7,155	2,354	41
United Arab Emirates	T	1,284	105,066	50,168	25,138	1,546	0
Zimbabwe	T	126	0	254	0	1,410	1,419
France	T	1	10,845	976	14,644	1,220	0
Denmark	T	0	11	325	1,179	1,134	0
Thailand	T	2,686	36	24,564	6,157	804	0
Mozambique	T	0	0	0	1,141	667	0
United States	T	21	870	295	868	517	1

* Import figures up to July 2020.
Source: TDM

Stocks

Post estimates that the ending sugar stocks will reduce significantly to 26,000 MT in the 2020/21 MY, from 220,000 MT in the 2019/20 MY, based on the increase in consumption and 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 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	2018/2019		2019/2020		2020/2021	
Market Begin Year	April 2018		April 2019		April 2020	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	529	529	498	498	168	220
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2257	2257	2295	2295	2329	2225
Total Sugar Production	2257	2257	2295	2295	2329	2255
Raw Imports	329	329	360	382	350	400
Refined Imp.(Raw Val)	212	212	115	116	110	100
Total Imports	541	541	475	498	460	500
Total Supply	3327	3327	3268	3291	2957	2945
Raw Exports	575	575	950	971	770	950
Refined Exp.(Raw Val)	466	466	480	480	420	290
Total Exports	1041	1041	1430	1451	1190	1240
Human Dom. Consumption	1770	1770	1650	1600	1670	1660
Other Disappearance	18	18	20	20	22	19
Total Use	1788	1788	1670	1620	1692	1679
Ending Stocks	498	498	168	220	75	26
Total Distribution	3327	3327	3268	3291	2957	2945
(1000 MT)						

Trade Policies and Regulations:

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. The United States is considered a premium market for South African sugar. South Africa confirmed that it has the capacity to export the 24,220 MT that it has been allocated for the 2021 Fiscal Year (FY), and any additional sugar allocations available. 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.

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. In the 2019/20 MY, South Africa fully utilized the EU quota and expects to also fully utilize the quota in the 2020/21 MY, despite the uncertainty of production and sugar prices in the EU.

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 527.75c/kg (US$0.31/kg) as shown in **Table 10**.

Customs Import Duties

Table 10: **Customs Duties as of September 2020**

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	527,75	527,75	527,75	527,75	527,75
1701.13	9	Cane sugar	Kg	527,75	527,75	527,75	527,75	527,75
1701.14	5	Other cane sugar	Kg	527,75	527,75	527,75	527,75	527,75
1701.9		**Other:**						
1701.91	2	Containing added flavoring or coloring matter	Kg	527,75	527,75	527,75	527,75	527,75
1701.99	3	Other	Kg	527,75	527,75	527,75	527,75	527,75

Source: South African Revenue Service.

Sugar Tax on Sugar Sweetened Beverages

On December 15, 2017, the South African Revenue Services (SARS) announced that it will start to collect tax from domestic and imported sugar sweetened beverages, excluding 100 percent fruit juices from April 1, 2018 (Click here to download the notice). The tax became effective in April 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 later 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 sector 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 has resulted in the reduction in sugar usage by the beverage sector in the 2018/19 MY to at least 30 percent (200,000 MT) since the introduction of sugar tax in April 2018. The process of reformulation is still continuing and had an impact of between 250 000 MT and 300 000 MT to domestic sugar sales in the 2019/20 MY.

The decrease in domestic sugar demand, has consequently 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 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. As a result, the sugar industry estimates its revenue will drop by up to R1.8 billion (US$106 million), further reducing the price paid to sugar cane growers in the 2018/19 MY. This is expected to have serious viability implications for sugar cane farmers and could put at least 10,000 on farm jobs at risk, with some farms unable to survive. Similarly, sugar milling companies are also under profitability strain 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.

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 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.

The South African Sugarcane Value Chain Master Plan to 2030

The South African Department of Trade, Industry and Competition (DTIC) announced that the South African Sugarcane Value Chain Master Plan to 2030 had been finalized, accepted by all sugar industry stakeholders, and was now awaiting final clearance from the Competition Commission prior to its implementation (http://www.thedtic.gov.za/government-gazettes-amendments-to-the-regulations-governing-the-south-african-sugar-industry/). In order for the Sugar Masterplan to be implemented, the

sugar industry needs exemption from certain provisions of the Competition Act, given that the Act prohibits coordination between competitors. It is expected that the Competition Commission will grant this exemption because DTIC has already published amendments to the Constitution of the South African Sugar Association and the Sugar Industry Agreement, in preparation and in line with the objectives of the proposed Sugar Masterplan (http://www.thedtic.gov.za/wp-content/uploads/43466_23-6_TradeIndCompetition.pdf).

The objective of the Master Plan is to ensure the long-term sustainability and profitability of the sugar sector in South Africa. The masterplan aims to achieve this over the next three years by, among other things, increasing local market sugar by 300,000 MT through committing manufacturers to prioritize locally grown and manufactured sugar in their product ranges; improving import protection; the development of small-scale growers and 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 Post will provide further updates once it is published for implementation.

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 policy by the government or Eskom the state owned electric company. This is expected to change when the Master Plan is implemented effectively.

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 back-end products from molasses. The production of ethanol and other products is expected to change when the Master Plan is implemented effectively.

Land Expropriation without Compensation

The impact of the ongoing policy discussion on land expropriation without compensation to 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. Please see the December 2019 GAIN report, Constitutional Amendments to Expropriate Land Without Compensation Moving Ahead.

Attachments:

No Attachments