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Prepared By:

Approved By: Laura Geller

Report Highlights:

Post estimates that the South African sugar cane crop will increase by 5 percent to 19.9 million Metric Tons (MT) in the 2019/20 Marketing Year (MY), due to normal weather conditions, better crop management practices, improved sugar cane yields and increases in area planted for small scale growers who received support from the industry. This will result in a 4 percent increase in sugar production to 2.3 million MT in the 2019/20 MY. Post estimates that sugar exports will increase significantly by 54 percent to 1.6 million MT in the 2019/20 MY, based on the increase in sugar production, and reduced domestic demand caused by the impact of the tax on sugar sweetened beverages. South Africa is expected to fully utilize the United States Tariff Rate Quota (TRQ) allocation in the 2019/20 MY.

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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$ = 14.67 Rands

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.

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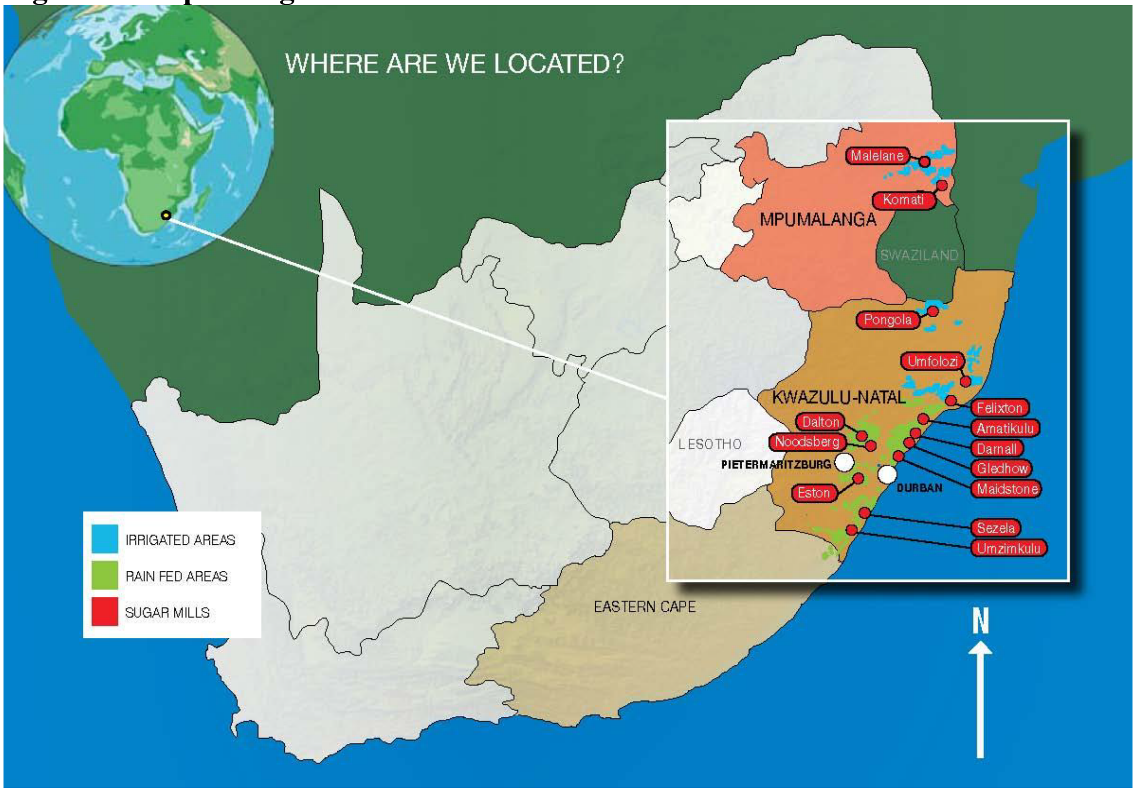
Figure 1: Map of Sugarcane Production Areas in South Africa



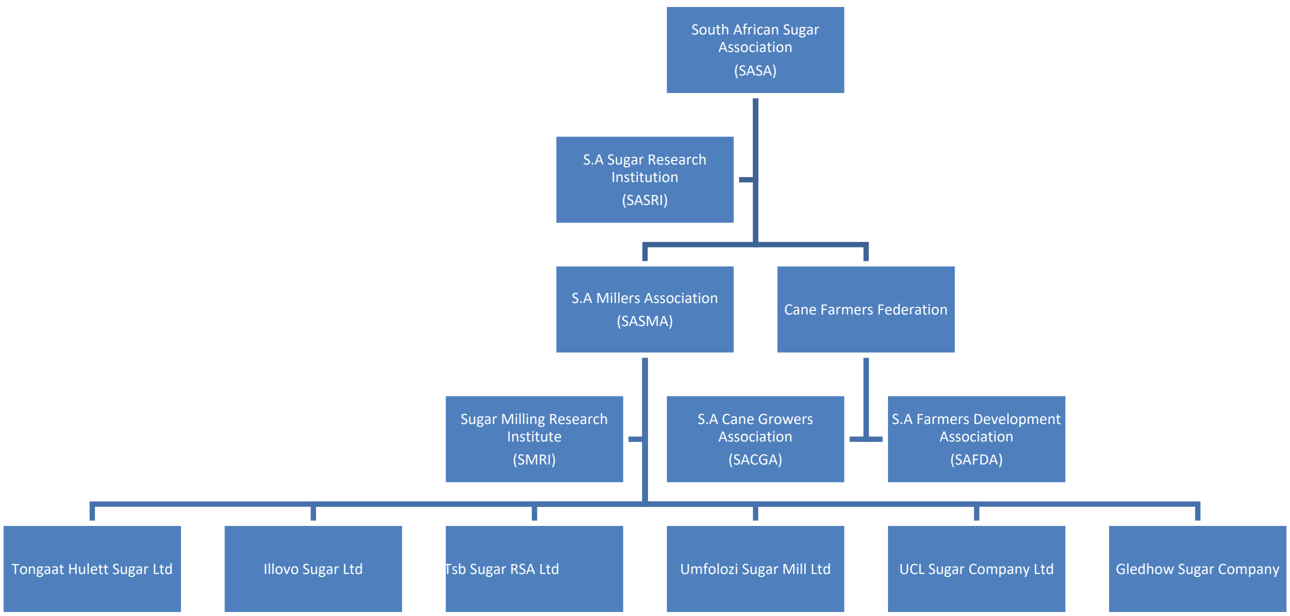
Source: South African Sugar Association (SASA)

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 and Industry (DTI). 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. The Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, Tsb Sugar RSA Ltd, and Umfolozi Sugar Mill Ltd produce both raw and refined sugar. The Umfolozi Sugar Mill Ltd and UCL Company Ltd only produce raw sugar. The Gledhow Sugar Company only produces refined sugar. Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and Tsb Sugar RSA Ltd 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: South African Sugar Association, South African Cane growers Association

Sugarcane:

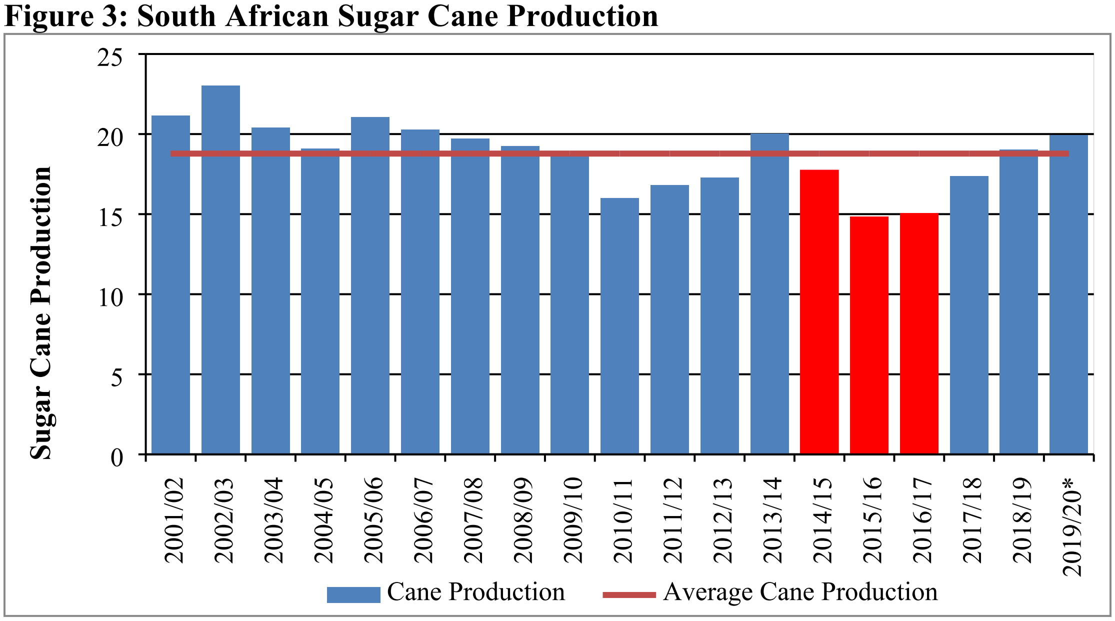
Production

Post estimates that the sugar cane crop will increase by 5 percent to 19.9 million MT in the 2019/20 MY, from 19.0 million MT in the 2018/19 MY. This is based on near perfect weather and growing conditions, better crop and pest management practices, improved sugar cane yields, and increases in area planted for small scale growers who received financial, input and technical support from the industry through SAFDA and SASA. This increase will be partially offset by reduced cane production due to some growers diversifying to more profitable crops, and lower replanting from growers who are under financial distress. Increases in input costs (fertilizers, labor, electricity and fuel), and the lower sugar cane prices in the 2018/19 MY are also expected to negatively impact some growers in the 2019/20 MY. The 2018/19 MY production remains unchanged at 19.0 million MT based on final industry data. 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 increase to 80 MT/hectare (HA) in the 2019/20 MY, from 77 MT/HA in the 2018/19 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: SACGA

Table 1: Sugarcane Production and Yields in South Africa

MY	Area planted (Ha)	Area Harvested (Ha)	Cane Crushed (MT)	Yield (MT/Ha)
2012/13	371,662	257,095	17,278,020	67
2013/14	378,922	265,939	20,032,969	75
2014/15	381,707	272,590	17,755,504	65
2015/16	370,335	258,497	14,861,401	57
2016/17	360,000	260,000	15,074,610	58
2017/18	362,000	275,000	17,388,177	63
2018/19	364,041	247,385	19,031,688	77
2019/20*	366,000	250,000	19,940,000	80

* Estimate.
Source: SACGA

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 18 percent to R4,209.94 (US$287) in the 2019/20 MY, from R3,574.41 (US$244) in the 2018/19 MY, mainly due to weakening of the Rand to the U.S. dollar, and increase in sugar production. This price was partially offset by low global prices that reduced revenue on the export market, and lower sales in the domestic market. The export prices are in US$, 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*	4,209.94	18%

*Estimate. Source: South African Canegrowers Association

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

Sugar Cane for Centrifugal	2017/2018		2018/2019		2019/2020	
Market Begin Year	Apr 2017		Apr 2018		Apr 2019	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	362	362	363	364	365	366
Area Harvested	275	275	280	247	282	250
Production	17388	17388	19032	19032	19500	19940
Total Supply	17388	17388	19032	19032	19500	19940
Utilization for Sugar	17388	17388	19032	19032	19500	19940
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	17388	17388	19032	19032	19500	19940
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post estimates that South African raw sugar production will increase by 4 percent to 2.3 million MT in the 2019/20 MY. This is based on an increase in the amount of sugar cane delivered to the mills for crushing, but partially offset by lower cane quality and 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 11.78 percent in the 2019/20 MY, from 11.86 percent in the 2018/19 MY, as shown in **Table 4**.

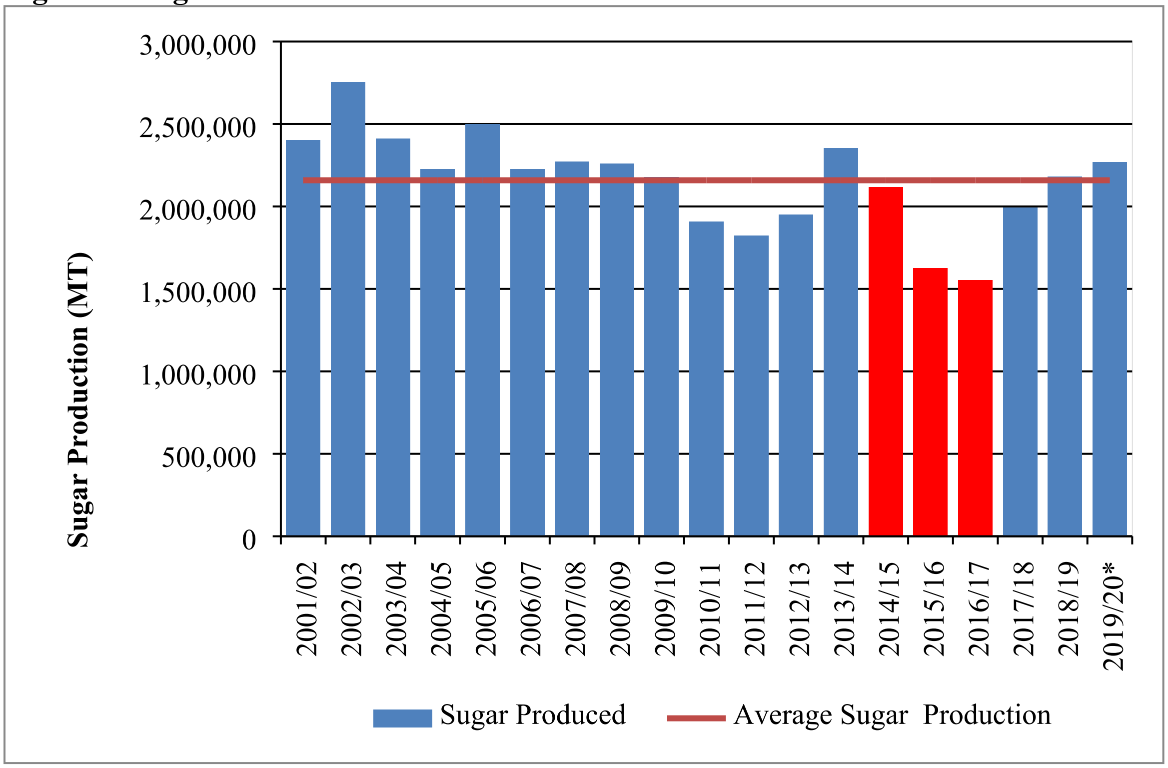
Table 4: Sugar Production and Factory Recoveries in South Africa

MY	Cane Crushed (MT)	Sugar Production (Tel Quel MT)	Sugar Production (Raw Value MT**)	Sugar/ Cane Ratio (Percentage)
2012/13	17,278,020	1,951,518	2,019,821	11.69%
2013/14	20,032,969	2,352,878	2,435,229	12.16%
2014/15	17,755,504	2,118,232	2,192,370	12.35%
2015/16	14,861,401	1,627,395	1,684,354	11.33%
2016/17	15,074,610	1,553,229	1,607,592	10.66%
2017/18	17,388,000	1,993,727	2,063,507	11.87%
2018/19	19,031,688	2,181,161	2,257,502	11.86%
2019/20*	19,940,000	2,270,000	2,349,450	11.78%

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

Figure 4 shows that sugar production for the 2019/20 MY and 2018/19 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 recorded in the 2002/03 MY.

Figure 4: Sugar Production



*Estimates.
Source: SASA

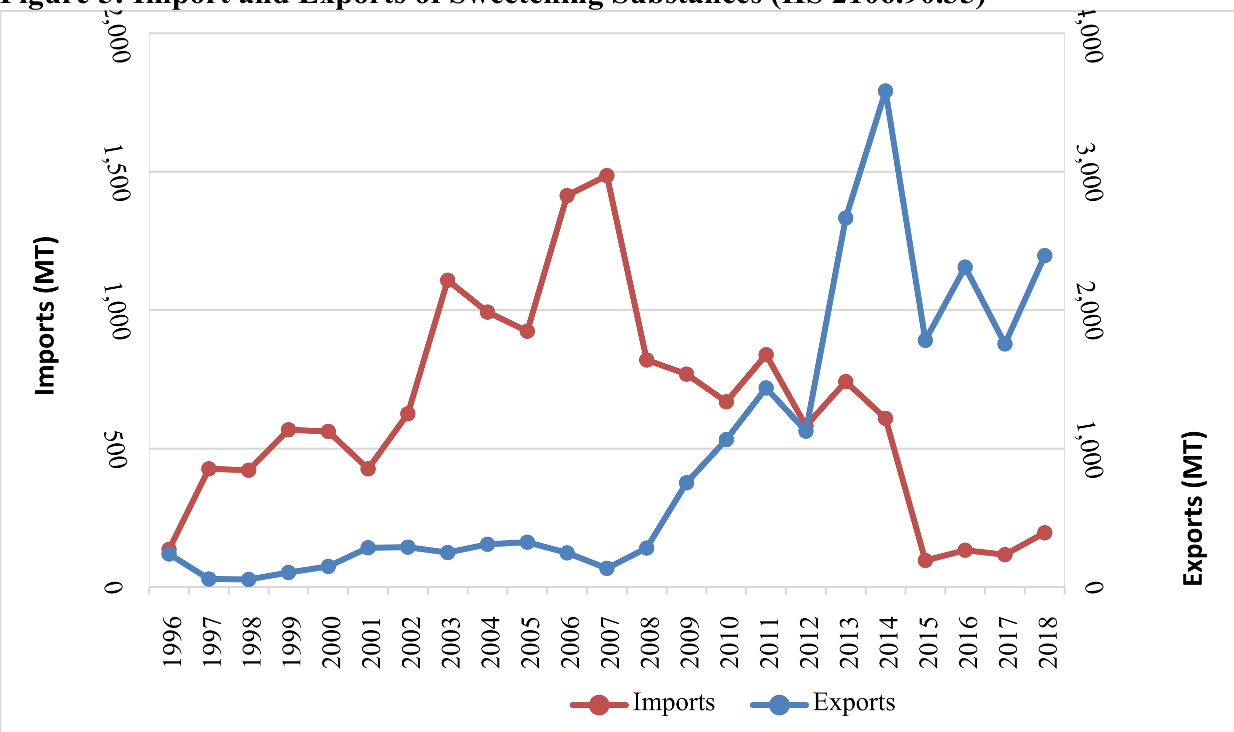
Consumption

Post estimates that domestic sugar consumption will decrease by 7 percent to 1.7 million MT in the 2019/20 MY, from 1.8 million MT in the 2018/19 MY. This is due to 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 2018/19 MY domestic consumption remains unchanged at 1.8 million MT, based on final industry data.

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 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$1.07 to US$1.20 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 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. Sugar milling companies are also invested in the artificial sweetener industry.

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



Source: Trade Data Monitor, LLC (TDM)

Trade:

Exports

Post estimates that sugar exports will increase significantly by 54 percent to 1.6 million MT in the 2019/20 MY, from 1.0 million MT in the 2018/19 MY. This is due to an increase in sugar production, low domestic demand, and the pace of exports in 2019. The 2019/20 MY sugar exports are the second highest exports reported since the 2000/01 MY peak exports of 1.7 million MT.

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 49 percent of the total raw sugar exports in the 2018/19 MY, followed by the United Kingdom (17 percent), Italy (11 percent), Spain (5 percent), Finland (4 percent), United States (4 percent), and Namibia (3 percent). Raw sugar exports to Malaysia 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 2019/20 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 38 percent of the total South African raw sugar exports in the 2018/19 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 2019/20 MY, despite the uncertainty of the sugar prices in the EU. The impact of Brexit to South African sugar exports is currently unknown.

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) annual raw sugar allocation of 24,220 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. The United States is a premium market for South Africa. South Africa always utilizes its quota allocation each year and is expected to fully utilize the 2018/19 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 _World						
Commodity: 170111,170112,170113,170114						
Year Ending: March						
Partner	**Unit**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20***
_World	T	157,806	128,595	454,403	575,045	394,840
Malaysia	T	0	0	0	281,450	188,000
India	T	0	0	0	0	97,266
Italy	T	0	0	105,008	60,635	39,000
Namibia	T	98,032	93,084	26,398	14,549	27,425
Spain	T	0	0	0	31,000	20,000
United Kingdom	T	0	0	35,000	100,110	10,000
Lesotho	T	14,355	13,286	12,436	13,322	5,867
Botswana	T	19,250	18,631	21,880	13,673	5,274
Mozambique	T	2,086	2,361	1,562	2,809	713
Congo (DROC)	T	13	11	1	72	680
Greece	T	0	0	0	0	400
Swaziland	T	417	407	740	290	188
Angola	T	132	742	54	59	7
Yemen	T	16	0	0	0	7
Tanzania	T	2	11	6	2,323	3
Saint Helena	T	34	18	23	9	1
Zambia	T	5	5	6	3	1
China	T	0	0	157,245	0	0
Finland	T	0	0	0	25,000	0
Japan	T	0	0	27,000	0	0
Kenya	T	0	0	9,700	0	0
Uganda	T	0	0	800	0	0
United States	T	23,087	0	56,540	22,914	0
Zimbabwe	T	110	3	1	3	0

*Export figures up to August 2019.
Source: Trade Data Monitor, LLC (TDM)

Table 6: Refined Sugar Exports

South Africa Exports to _World						
Commodity: 170199,170191						
Year Ending: March						
Partner	**Unit***	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20****
_World	RV	146,195	87,564	314,142	466,307	296,395
Mozambique	RV	55,232	25,273	142,020	195,797	118,223
Malaysia	RV	0	1	1	0	47,080
United Kingdom	RV	2	0	12,825	27,394	34,167
Namibia	RV	11,077	7,983	36,170	65,342	30,684
Madagascar	RV	9,797	82	22,467	40,788	17,895
Botswana	RV	24,623	38,754	30,256	32,472	16,098
Spain	RV	0	17	0	2,157	10,108
Italy	RV	1	0	1,626	9,515	7,798
Angola	RV	13,283	5,415	14,749	11,293	3,851
Greece	RV	0	0	8,207	51	2,782
Congo (DROC)	RV	2,499	47	1,472	6,906	2,154
Lesotho	RV	5,079	5,342	4,668	4,767	1,674
Malta	RV	0	0	0	552	1,058
Tanzania	RV	1	1	1,554	17,382	794
Mayotte	RV	2,316	2,109	3,026	2,837	723
Comoros	RV	3,679	969	4,077	2,522	695
Seychelles	RV	27	31	139	716	342
France	RV	0	0	0	190	107
Swaziland	RV	42	41	165	349	50
United States	RV	128	8	2,698	95	19
Zimbabwe	RV	10,318	403	10	26	16
Zambia	RV	77	49	68	25	12
Ethiopia	RV	0	0	0	2,116	0
Ghana	RV	2,270	8	3,105	1,862	0
Israel	RV	452	692	1,008	695	0
Kenya	RV	2,293	0	6,408	9,264	0
Uganda	RV	856	0	5,362	19,437	0

*Raw Value (RV) = Refined x 1.07. ** Export figures up to August 2019.
Source: Trade Data Monitor, LLC (TDM)

Imports

Post estimates that total sugar imports will increase by 7 percent to 580,000 MT in the 2019/20 MY, from 541,588 MT in the 2018/19 MY, due to the continued growth in production in eSwatini who have duty free access to the South African market, and the pace of imports in 2019. The 2018/19 MY imports were revised upwards to 541,588 MT from 521,000 MT, based on final TDM data.

Raw sugar imports from eSwatini accounted for 86 percent of the total South African raw sugar imports in the 2018/19 MY because eSwatini is part of SACU and its imports are not subject to any customs duty. This is expected to continue in the 2019/20 MY. Raw sugar imports from Brazil and the United Arab Emirates only accounted for 3 percent of the total South African imports in the 2018/19 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 29 percent of the total South African refined sugar imports in the 2018/19 MY, followed by Brazil (19 percent) and the United Arab Emirates (12 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 19 percent and 12 percent in the 2018/19 MY, respectively.

Table 7: Raw Sugar Imports

South Africa Imports from _World						
Commodity: 170111,170112,170113,170114						
Year Ending: March						
Partner	Unit	2015/16	2016/17	2017/18	2018/19	2019/20*
_World	T	362,078	368,474	433,290	329,170	166,685
eSwatini	T	331,896	291,847	256,173	284,380	150,411
India	T	5	73	27	3,360	8,824
Malawi	T	0	0	532	3,794	3,052
Mozambique	T	0	0	20	1,999	1,335
Zimbabwe	T	0	1,329	0	8,333	1,156
Brazil	T	15,552	23,638	43,990	9,260	674
France	T	0	0	480	4,400	240
Zambia	T	9,990	5,925	5,023	1,501	227
Botswana	T	1	36	177	104	170
Germany	T	138	159	2,033	2,026	42
Mauritius	T	44	61	2,462	469	22
Belgium	T	0	5	4,925	1,200	5
Argentina	T	0	20,000	260	0	0
Egypt	T	0	0	785	600	0
El Salvador	T	0	840	6,225	2,633	0

Guatemala	T	0	2,147	41,898	0	0
Namibia	T	390	537	71	0	0
Poland	T	1,000	270	1,000	1,079	0
Saudi Arabia	T	648	0	984	600	0
Switzerland	T	0	15,254	0	0	0
Thailand	T	627	1,587	23,000	0	0
United Arab Emirates	T	336	1,225	42,500	1,512	0

* Import figures up to August 2019.
Source: Trade Data Monitor, LLC (TDM)

Table 8: Refined Sugar Imports

South Africa Imports from _World						
Commodity: 170199,170191						
Year Ending: March						
Partner	**Unit***	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20****
_World	RV	107,562	375,373	314,198	212,418	62,914
eSwatini	RV	17,903	30,341	27,371	62,203	26,824
Brazil	RV	63,305	184,134	152,381	41,324	12,679
Zambia	RV	6,628	3,632	2,598	10,775	9,912
India	RV	3,390	6,021	2,148	13,266	6,746
Malawi	RV	8,752	5,004	5,486	5,123	1,987
Denmark	RV	0	11	326	1,179	600
United States	RV	19	870	294	868	516
Mauritius	RV	0	4	2,365	2,861	514
France	RV	0	10,844	976	14,643	470
Guatemala	RV	0	2,600	26,092	0	278
Namibia	RV	0	0	127	242	185
El Salvador	RV	0	0	0	3,172	27
United Kingdom	RV	460	507	116	730	24
Belgium	RV	11	12	1,800	525	6
Germany	RV	44	4,555	3,921	6,050	1
Thailand	RV	2,686	36	24,562	6,157	1
Egypt	RV	0	1,284	2,722	3,159	0
Pakistan	RV	289	0	0	1,920	0
Poland	RV	2,354	1,573	5,549	2,087	0
Ukraine	RV	0	11,129	2,859	0	0
United Arab Emirates	RV	1,284	105,066	50,168	25,137	0

*Raw Value (RV) = Refined x 1.07. ** Import figures up to August 2019.
Source: Trade Data Monitor, LLC (TDM)

Stocks

Post estimates that the ending sugar stocks will reduce significantly to 157,000 MT in the 2019/20 MY, from 498,000 MT in the 2018/19 MY, based on the increase in exports, partially offset by the increase in imports, and increase in sugar production. The 2018/19 MY closing stocks were revised upwards due to the rapid change in the beverage sector to reformulate their drinks in response to the tax on sugar sweetened beverages resulting in lower domestic consumption.

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	**2017/2018**		**2018/2019**		**2019/2020**	
Market Begin Year	**April 2017**		**April 2018**		**April 2019**	
South Africa	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	463	463	526	529	325	498
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2064	2064	2257	2257	2329	2349
Total Sugar Production	2064	2064	2257	2257	2329	2349
Raw Imports	432	433	320	329	350	400
Refined Imp.(Raw Val)	314	314	200	212	250	180
Total Imports	746	747	520	541	600	580
Total Supply	3273	3274	3303	3327	3254	3427
Raw Exports	454	454	700	575	800	900
Refined Exp.(Raw Val)	316	314	490	466	600	700
Total Exports	770	768	1190	1041	1400	1600
Human Dom. Consumption	1961	1961	1770	1770	1700	1650
Other Disappearance	16	16	18	18	19	20
Total Use	1977	1977	1788	1788	1719	1670
Ending Stocks	526	529	325	498	135	157
Total Distribution	3273	3274	3303	3327	3254	3427
(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 2019 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 2018/19 MY, South Africa fully utilized the EU quota and expects to also fully utilize the quota in the 2019/20 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 401.79c/kg (US$0.27/kg) as shown in **Table 10**.

Customs Import Duties

Table 10: **Customs Duties as of September 2018**

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	401.79	401.79	401.79	401.79	401.79
1701.13	9	Cane sugar	Kg	401.79	401.79	401.79	401.79	401.79
1701.14	5	Other cane sugar	Kg	401.79	401.79	401.79	401.79	401.79
1701.9		**Other:**						
1701.91	2	Containing added flavoring or coloring matter	Kg	401.79	401.79	401.79	401.79	401.79
1701.99	3	Other	Kg	401.79	401.79	401.79	401.79	401.79

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 is estimated will have 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$129 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.

Electricity Co-generation

The South African sugar industry uses bagasse to generate electricity which is fed back to the sugar mills during peak production periods. None of the electricity generated from the sugar mills is supplied to the national electricity grid due to the absence of appropriate incentives and policy by the government or Eskom the state owned electric company.

Ethanol Production

There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in South Africa. However, some of the sugar mills produce beverage grade ethanol, and industrial alcohols as by-products or back-end products from molasses.

Review of the Sugar Act and Sugar Industry Agreement

South Africa is currently in the process of reviewing the Sugar Act (Download the Act) and the Sugar Industry Agreement (Download the Agreement). The process has been underway for at least fifteen years, and it is still uncertain as to when the Department of Trade and Industry will publish the proposed amendments for public comments.

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 March 2018 GAIN report, South Africa Considering Expropriating Land Without Compensation.

Attachments:

No Attachments