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Sugar

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Report Highlights:

South Africa's 2003/04 sugar season was a financial disaster. Both the cane crop and sugar production declined while low world prices and a strong SA Rand cut export income severely. The outlook for the current, 2004/05 season is also bleak. Sugar production is expected to drop a further 7.6% to 2.37 million tons due to drought, while world prices are still depressed and the SA Rand strong.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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[SF]

Summary

South Africa's 2003/04 sugar season was a disaster. The net farm income of cane growers declined by 33%. This was due to a 12% drop in cane production and a 12.4% decrease in sugar production compared to the previous season. A low world price and a strong SA Rand aggravated the situation. The quantity exported fell by 17.4% while export earnings dropped from R2.42 billion to R1.32 billion. Domestic sales also showed a dramatic 22% drop as a result of increased import competition from other producers in the region.

The situation for the current, 2004/05 season, is also bleak. Production is expected to drop a further 7.6% due to drought, while the world market is still depressed and import competition is again affecting domestic sales. The increased import competition is the result of SACU (Southern African Customs Union) and SADC (Southern African Development Community) free trade agreements. This led to the local industry's share in the lucrative domestic market dropping from 95% to less than 80% over the past few seasons. Any sugar not sold in the protected local market must be exported into an oversupplied world market.

www.sugar.org.za

www.sacanegrowers.co.za

Sugar Cane

Country South Africa
Commodity Sugar Cane

1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 mt.	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin	04/2002		04/2003		04/2004	
Area Planted	434	435	345	433	0	433
Area Harvested	328	329	330	325	0	325
Production	23013	23013	21270	20419	0	19157
TOTAL SUPPLY	23013	23013	21270	20419	0	19157
Utilization for Sugar	23013	23013	21270	20419	0	19157
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	23013	23013	21270	20419	0	19157

Production

The area under cane in South Africa has remained constant at around 430,000 to 435,000 hectares over the past few years. Since the general droughts of the early and mid nineties, the industry has continued to experience regional droughts from time to time. The 2003/04 season was dry, while the 2004/05 season also had a dry start. Better rainfall in February and March 2004 marginally improved crop prospects but by then the damage was done and cane production for 2004/05 is currently estimated at 19.2 million tons after 20.4 million tons were produced in 2003/04.

Sugar cane Season	Area planted, ha.	Area harvested, ha.	Cane cut 1000 Mt.	Yield, Mt./ha.	Tons cane/ton sugar
2000/2001	428,892	322,858	23,876,162	73.95	8.77
2001/2002	431,771	325,704	21,156,537	64.96	8.83
2002/2003	430,106	321,234	23,012,554	71.64	8.33
2003/2004	432,986	325,141	20,418,933	62.80	8.44
2004/05 est.	432,500	325,000	19,157,000	58.94	8.57

The area under irrigation has increased to 22% of the total area under cane. This trend has lessened the risk of serious crop failures. As shown in the table cane yields per hectare have remained relatively constant, although the 2004/05 estimate shows severe drought damage. The adoption of the Recoverable Value pricing system for cane payments, which rewards good agricultural practices, has improved sugar yields per hectare.

Sugar

Country Commodity 1000Metric tons Raw value	South Africa, Sugar					
	2003	Revised	2004	Estimate	2005	Forecast
Market Year Begin	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
	04/2002		04/2003		04/2004	
Beginning Stocks	450	450	490	586	370	906
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2931	2931	2527	2560	0	2371
TOTAL Sugar Production	2931	2931	2527	2560	0	2371
Raw Imports	0	18	0	25	0	19
Refined Imp. (Raw Val)	269	251	253	273	0	287
TOTAL Imports	269	269	253	298	0	306
TOTAL SUPPLY	3650	3650	3270	3444	370	3583
Raw Exports	1215	914	1000	764	0	950
Refined Exp. (Raw Val)	350	382	300	307	0	350
TOTAL EXPORTS	1565	1296	1300	1071	0	1300
Human Dom. Consumption	1590	1760	1595	1460	0	1640
Other Disappearance	5	8	5	7	0	5
Total Disappearance	1595	1768	1600	1467	0	1645
Ending Stocks	490	586	370	906	0	638
TOTAL DISTRIBUTION	3650	3650	3270	3444	0	3583

Production

As a result of a drought, prospects for the 2004/05 season are poor. The Sugar Association's August estimate is for 19,156,818 tons of cane producing 2,234,414 Mt. Tell Quell (as is) sugar. Local sugar is produced at about 99.5*Pol. which is multiplied by 1.061 to get to 96* Pol. raw value.

Season April/March	Cane cut 1000 Mt.	Tell quell sugar Prod. 1000 Mt.	Raw value sugar Prod. 1000 Mt.	Tons cane/ton Tq sugar, Mt.
2000/01	23,876,162	2,721,562	2,887,577	8.75
2001/02	21,156,537	2,403,243	2,549,841	8.83
2002/03	23,012,554	2,762,885	2,931,421	8.33
2003/04	20,418,933	2,419,287	2,566,864	8.44
2004/05 est.	19,156,818	2,234,414	2,370,713	8.57

Consumption

Sugar supplies in the Southern African Customs Union (SACU) have changed markedly since the early nineties, at which time South Africa was the main supplier with over 95% market share. South Africa has since lost market share to Swaziland (a customs union member), and to Southern African Development Community (SADC) sugar producers. South Africa's share of the SACU market is currently below 80%.

Due to low world prices, the Swaziland sugar industry increased its 2003/04 sales to South Africa, the biggest market in Southern Africa. Over and above this, as part of the SADC Free Trade Agreement, it was agreed that SADC producers would be allowed to sell sugar free of duty into SACU based on a formula (about 45,000 tons). The number of suppliers into the market has thus increased significantly.

The demand for sugar in the SACU region has continued to grow in the order of 2% per annum, with demand closely related to growth in real disposable income, growth in GDP and in population. The following table shows the latest available data on South African sugar sales in the SACU region:

Season Metric ton	White sugar	Brown sugar	Total sugar	Direct sales	%	Industrial sales	%
1998/99	1,072,230	148,150	1,220,380	808,884	66.3	411,496	28.1
1999/00	1,069,494	160,551	1,230,045	811,591	66.0	418,454	34.0
2000/01	1,140,308	170,788	1,311,096	879,529	67.1	431,567	32.9
2001/02	1,066,168	161,047	1,227,215	819,273	66.8	407,492	33.2
2002/03	1,218,766	194,029	1,412,795	924,416	65.4	488,649	34.6
2003/04	926,951	174,651	1,101,602	585,157	53.1	516,445	46.9

In the 2003/04 season, domestic sales by the South African industry plummeted to about 1.1 million tons Tell Quell compared to the 1.4 million tons sold in 2002/2003. Various reasons, such as fewer selling days during the year, are given for the decline in sales. The main reason is probably that the buyers decided that the price is likely to come down during the new season and the need for stockpiling stocks in anticipation of a domestic price increase diminished.

Total domestic consumption, including imports, thus only reached 1.467 million tons raw value after 1.768 million tons were sold in 2002/03. Consumption is likely to rebound to about 1.65 million tons in 2004/05.

Trade

Imports

Country South Africa

Commodity Sugar

Time Period	April-March	Units:	Metric tons
Imports for:	2002/03		2003/04
U.S.	3	U.S.	48
Others		Others	
Malawi	9026	Malawi	14402
Zimbabwe	17240	Zimbabwe	4343
Zambia	8555	Zambia	9118
Total for Others	34821		27863
Others not Listed	168		1622
Grand Total	34989		29485

The imports are the result of the SADC (Southern African Development Community) Free Trade Agreement, which gave limited non-reciprocal access to the SACU (Customs Union)

market. An initial allocation of 20,000 tons annually was made to SADC member states with an exportable surplus after serving their domestic market and their preferential export markets. Each year this access is increased a share of the growth in the SACU market. The net result of the formula for 2003/04 is that the non-SACU producers were allocated 44,687 tons of duty free access. Swaziland, as a SACU member, is not included in the above but gets duty free access through its customs union membership. The quantity has not been announced but is estimated at about 234,000 tons in 2002/03 and 268,000 in 2003/04.

The general rate of import duty is currently R718/ton. The duty is based on the difference between the reference price, \$333/ton and the current world price. An example of the calculation follows:

Reference price	\$330/ton
Less World price	\$220/ton
Gives Import duty	\$110/ton @ R6.5 to the US\$ = R715/ton.

The exchange rate of the Rand, which has been very variable, thus plays a big role in the setting of the tariff.

We are now for the first time using the World Trade Atlas, based on SA customs data, for our trade figures. The figures are lower than those previously supplied by the Sugar Association but it gives a clear indication of raw and refined exports, which are combined on a Tell Quell (as is) basis in the trade matrix. The table shows exports to Mozambique, but these are mainly transshipments using Maputo harbor. Mozambique increased its own production to 253,000 tons this year, which will allow exports again.

Exports

Country South Africa

Commodity Sugar

Time Period	April-March	Units:	Metric tons
Exports for:	2002/03		2003/04
U.S.	58 681	U.S.	23 646
Others		Others	
Mozambique	199 100	Mozambique	169 785
Japan	166 015	Japan	145 040
South Korea	230 000	South Korea	140 000
Malaysia	43 053	Malaysia	80 000
Syria	13 250	Syria	53 850
Madagascar	47 479	Madagascar	46 076
India	108	India	49 500
Kenya	42 805	Kenya	48 254
Iran	15 010	Iran	39 100
Mauritius	52 181	Mauritius	30 857
Total for Others	770 681		823 587
Others not Listed	448 888		189 902
Grand Total	1 219 569		1 008 489

The raw exports, according to the WTA were:

Metric tons, raw sugar	2002/03	2003/04
USA	58,650	23,646
Mozambique	185,751	161,490
Japan	166,015	145,040
South Korea	230,000	140,000
Malaysia	43,053	80,000
India	0	49,500
Egypt	0	33,250
Iran	0	27,100
Russian Federation	35,000	24,000
Others	142,906	35,657
TOTAL	861,375	719,683

Refined exports, according to the WTA, were:

Metric tons, refined sugar	2002/03	2003/04
Syria	13,250	53,850
Madagascar	43,239	45,104
Kenya	41,697	38,644
Mauritius	27,117	29,327
Angola	8,935	12,822
Tanzania	14,377	12,778
Ghana	14,036	12,277
Nigeria	7,815	12,140
Iran	15,010	12,000
Other	171,436	57,923
TOTAL	356,912	286,865

Policy

The 2003/04 season was a financial disaster. High freight rates and low world sugar prices compounded the disappointment of low yields. The mean New York No. 11 sugar price for the past season was 6.43 US cents per pound, which was the lowest season average world price since the 1999/00 season. The mean average exchange rate for the season was R7.15/US\$, again the strongest exchange rate since the 1999/00 season. The world sugar price thus averaged \$144/ton or R1013/metric ton.

The cane price for the season was R169/ton while 8.44 tons of cane was needed to produce a ton of sugar. The cane cost alone thus amounted to R1426/ton of sugar. Payments to growers are on a recoverable value basis, which is then converted to a cane price. Recent prices were:

Rand/metric ton	Recoverable value	Cane price
2000/2001	1105.00	130.50
2001/2002	1352.14	160.23
2002/2003	1368.79	171.78
2003/2004	1357.01	169.08
2004/2005, August 2004	1278.47	155.60