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South Africa, Republic of

Sugar

Annual

2000

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Report Highlights:
The South African sugar industry is expected to mill about 22.5 million tons of cane during 2000/2001, 6% more than in the previous season. Sugar production is expected to reach 2.7 million MTRV, marginally more than last year due to lower sucrose levels in the cane brought about by inclement weather. The crop should, however, allow domestic sales of about 1.425 million tons and exports of about 1.45 million tons. The whole organization of the sugar industry is under review as it is the only industry that has escaped the recent deregulation moves.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], SF

Executive Summary

Mixed weather conditions limited the expected 2000/2001 cane crop to about 22.5 million tons, up from the 21.2 million tons cut in 1999/2000. The 2000/2201 (FAS2001) sugar production is expected to reach about 2.7 million MTRV compared to 2.686 million tons in 1999/2000 and the record 2.808 million tons produced in 1998/1999. The "average" crop should lead to exports of about 1.45 million tons and consumption of about 1.425 million tons during 2000/2001. The industry is slowly expanding but major variations in crop size will only be the result of weather conditions.
The Board on Tariffs and Trade is looking into the highly regulated affairs of the industry and is likely to recommend a more market orientated approach. This is likely to take place over time and in line with similar developments in other major producers and in the market.

SITUATION AND OUTLOOK

Sugar cane

Conditions for cane growth were favorable up to the end of December 1999 which will be remembered for the widespread and abundant rain which fell over most of the sugar areas. The favorable rainfall continued into the second week of January 2000. Thereafter, hot and sunny weather replaced the cool, cloudy conditions until a deluge lasting a week caused extensive flooding and very serious damage in the northern production areas. The hot weather and cloudless skies ensured vigorous growth in the cane which looked good in February. March also experienced favorable conditions with more rain and sunny periods. Crop predictions are difficult at this stage as early growth was slow until the rains arrived relatively late in the growing season. The cool, overcast conditions also reduced the sucrose content of the cane while the heavy rains caused some water logging in the fields. Furthermore, with numerous dams breached and irrigation equipment washed away it could be difficult to sustain growth later in the season. About 21% of the area planted to cane is under full or supplementary irrigation.

When sunny conditions return we expect a 2000/2001 cane crop of about 22.5 million tons. The increase in cane production must also be seen in the light of an expanding industry with both the area under cane and area harvested increasing.

We expect the 2000/2001 season to yield 70.5 tons of cane per hectare, (22.5 million tons from the 319,000 hectare cut), but the sucrose content in the cane is expected to be low due to the lack of sunlight. About 8.9 tons of cane should yield a ton of sugar, so we can expect 2.54 million tons of tell quell sugar or about 2.7 million MTRV. We must emphasize that this is an estimate prepared by FAS/Pretoria as no industry estimates have been released yet.

During the record 1998/99 season the percent sucrose in the cane was 13.4 % which meant that only 8.7 tons of cane was needed to produce a ton of tell quell sugar . Cane yield per harvested hectare amounted to 72.6 mt. The 22.9 million tons of cane crushed produced 2.646 million tons of tell quell sugar or 2.808 million tons raw value. (South Africa produces a 99.5* Pol sugar which is multiplied by 1.061 to get MTRV).

The 1999/2000 season yielded about 67.2 tons per hectare harvested and the 21.2 million tons of cane crushed yielded a ton of sugar for 8.4 tons of cane producing 2.532 million tons tell quell sugar or 2.686 million MTRV. The high sugar yield was due to a favorable sucrose content in the cane.

The 1998/99 season's sucrose price was R942.01/ton which meant farmers earned R125.85 per ton of cane. The preliminary 1999/00 sucrose price is R881.30/ton giving farmers R121.36 per ton of cane.

Sugar

Total sugar production reached a record 2.808 million MTRV in the 1998/99 season but fell back to 2.685 million MTRV in 1999/2000. We expect about 2.700 million MTRV from the current 2000/2001 milling season which has just started. With the carry over from the previous season this should allow exports of about 1.45 million tons over the next twelve months while supplying the domestic market with about 1.425 million tons.

STATISTICAL TABLES

Sugar cane

PSD Table						
Country:						
Commodity:	Sugar Cane Centrifugal					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Area Planted	428	417	424	424	0	427
Area Harvested	321	316	311	316	0	319
Production	22930	22930	21609	21223	0	22500
TOTAL SUPPLY	22930	22930	21609	21223	0	22500
Utilization for Sugar	22930	22930	21609	21223	0	22500
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	22930	22930	21609	21223	0	22500

Sugar

PSD Table						
Country:	South Africa, Republic of					
Commodity:	Sugar					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		04/1998		04/1999		04/2000
Beginning Stocks	420	420	472	560	470	570
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2808	2808	2653	2685	0	2700
TOTAL Sugar Production	2808	2808	2653	2685	0	2700
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	52	62	55	55	0	55
TOTAL Imports	52	62	55	55	0	55
TOTAL SUPPLY	3280	3290	3180	3300	470	3325
Raw Exports	1000	1055	925	1030	0	1120
Refined Exp.(Raw Val)	436	300	400	300	0	330
TOTAL EXPORTS	1436	1355	1325	1330	0	1450
Human Dom. Consumption	1363	1360	1375	1390	0	1415
Feed Dom. Consumption	9	15	10	10	0	10
TOTAL Dom. Consumption	1372	1375	1385	1400	0	1425
Ending Stocks	472	560	470	570	470	450
TOTAL DISTRIBUTION	3280	3290	3180	3300	470	3325

The export trade matrix for CY 1998 as supplied by the Department of Customs and Excise shows raw sugar exports of 1.095 million tons and refined exports of 313,000 tons. The destination of the two types of exports vary widely and for this reason we have split the two types in the matrix.

Export Trade Matrix			

Country:		Units:	Metric tons
Commodity:			
Time period:	CY Raw		
Exports for	1988		1988
U.S.	45,785	U.S.	Refined
Others		Others	
Korea	382,590	Iran	92000
Japan	204,000	Kenya	65408
Russian Fed.	186,000	Madagascar	45361
Malaysia	57,975	Mauritius	35747
Iran	49,000	Mozambique	28972
Saudi Arabia	48,000	Tanzania	9556
Egypt	26,000	Angola	7708
Philippines	25,736	Ghana	4622
Sierra Leone	14,000		
Tanzania	11269		
Total for Others	1004570		289374
Others not listed	45255		23494
Grand Total	1095610		312868

POLICY & MARKETING

The South African sugar industry is one of the worlds leading cost competitive producers of high quality sugar. The industry is a proceeds-sharing partnership between millers and growers established in 1935. The South African Sugar Millers' Association represents the interest of all millers and refiners. The milling sector employs 11,000 people and the pattern of ownership is concentrated around 15 mills: seven mills are owned by Illovo, five mills by Tongaat-Hulett, two by Transvaal Sugar and one co-operative mill owned by growers. Five of the mills are known as 'white-end' mills- producing their own refined sugar. Raw sugar from the other ten mills is routed directly to Durban where it is either refined at the central Tongaat-Hulett refinery or stored at the South African Sugar Association (SASA) bulk terminal prior to export.

There are 47,000 registered cane growers comprised of about 2,000 large-scale commercial growers and some 45,000 small scale growers. The large-scale growers are responsible for about 66% of total cane production, small scale growers 17.5% and milling companies 16.5% on their own estates.

SASA administers the industry and is constituted in terms of the Sugar Act of 1936 which granted the industry statutory powers of self government. The act provides for an agreement to regulate the affairs of the industry and had been updated over time. The Agreement covers the following:

Administration of cane production.
Co-ordination of the supply of cane to the mills.
Dispute resolution structures.

Determination of the quantity of sugar required for the domestic market.
Disposal of the exportable surplus on behalf of the industry.
Pooling of the proceeds from the sale of sugar and molasses and the division of net proceeds between the growing and milling sections, currently about 67% and 33% .
The determination of the sucrose content and price payable for sucrose in the cane.
The pooling of the cost of transporting sugar to allow the rationalization of production of the various grades of sugar.
The imposition of levies to cover the cost of administration of the industry.
In addition SASA sets the domestic prices and administers the Division of Proceeds formula which allocates the income to the millers and growers.

Basically a single channel pool scheme, the industry is currently under investigation by the Board on Tariffs and Trade. The Sugar Act and Agreement falls under the auspices of the Dept. of Trade and Industry, and not the Dept. of Agriculture, and has to date missed the deregulation process that befell the other agricultural marketing schemes.

South African industrial sugar users buy about 80% of domestic production and have accused the industry of operating as a cartel in fixing domestic sugar prices. They claim that the new domestic price is about double the world price. Recently, the industrial users have shown their displeasure by importing a few thousand tons of sugar. The SASA responded and a deal was recently concluded whereby the industry has agreed to increase its discount on sugar used in locally consumed sweets and chocolates. A sizeable rebate is also offered on sugar used in the manufacture of confectionary for export. The export rebate will bring the raw material price down to world levels, currently about half the domestic white sugar price for industrial users of R2,737/ton. The agreement does not apply to soft drink manufacturers which use about 250,000 tons annually and are also calling for a compromise.

The following table contains domestic prices for the past few years as well as the latest adjustment: Rand/ton

Seaon	White sugar	% change	Applicable date
1996/97	2138.00	5.0%	04/05/96
1997/98	2292.00	7.2%	05/01/977
1998/99	2419.00	5.5%	02/02/98
1999/2000	2576.00	6.5%	02/01/99
2000/2001	2737.00	6.25%	02/01/2000

In addition to imports by the industrial users, South Africa is obliged to take some sugar from Swaziland as a member of the Southern African Customs Union. Details are not known but it may be in excess of 70,000 tons annually although it does not show in any trade data. There have been some illegal imports from neighboring states but it seems that the authorities have been able to curtail contraband imports for the most part.

Tariffs:

Import tariffs are currently linked to domestic Rand prices, as a result of the February price increase the tariff was also increased from R1189/ton to R1307/ton, with a maximum of 105%, on March 17, 2000.