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**Report Name:** Sugar Annual

**Country:** South Africa - Republic of

**Post:** Pretoria

**Report Category:** Sugar

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**Report Highlights:**

Post forecasts that the South African sugar cane crop will increase by 1 percent to 19.4 million Metric Tons (MT) in the 2020/21 Marketing Year (MY), based on normal weather and growing conditions, improved sugar cane yields from new cane varieties, and increases in area planted for small scale growers who received financial, input and technical support from the industry. This will result in a 1 percent increase in sugar production to 2.3 million MT in the 2020/21 MY. Post forecasts that sugar exports will decrease significantly by 17 percent to 1.2 million MT in the 2020/21 MY, based on the decline in demand due to the impact of Covid-19 to global supply chains and economies. 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](http://www.sars.gov.za)  
South African Farmers Development Association - <http://sa-fda.org.za/>

MT – Metric Tons

MY – Marketing Year (April – March)

1US\$ = 18.25 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.

**Figure 1: Map of Sugarcane Production Areas in South Africa**



Source: South African Sugar Association (SASA)

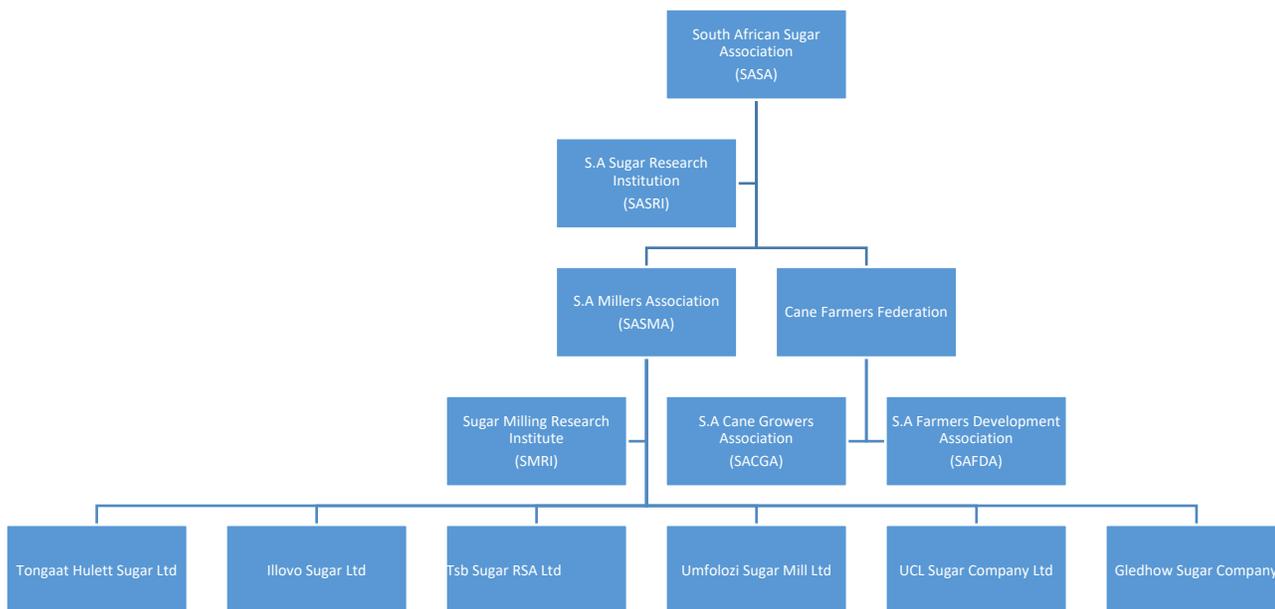
**Figure 2** shows the structure of the South African sugar industry. The South African Sugar Association (SASA) is funded by both growers and milling companies, and is the highest decision making authority in the industry on common issues for sugar cane growers and sugar millers. SASA provides support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

## Sugarcane:

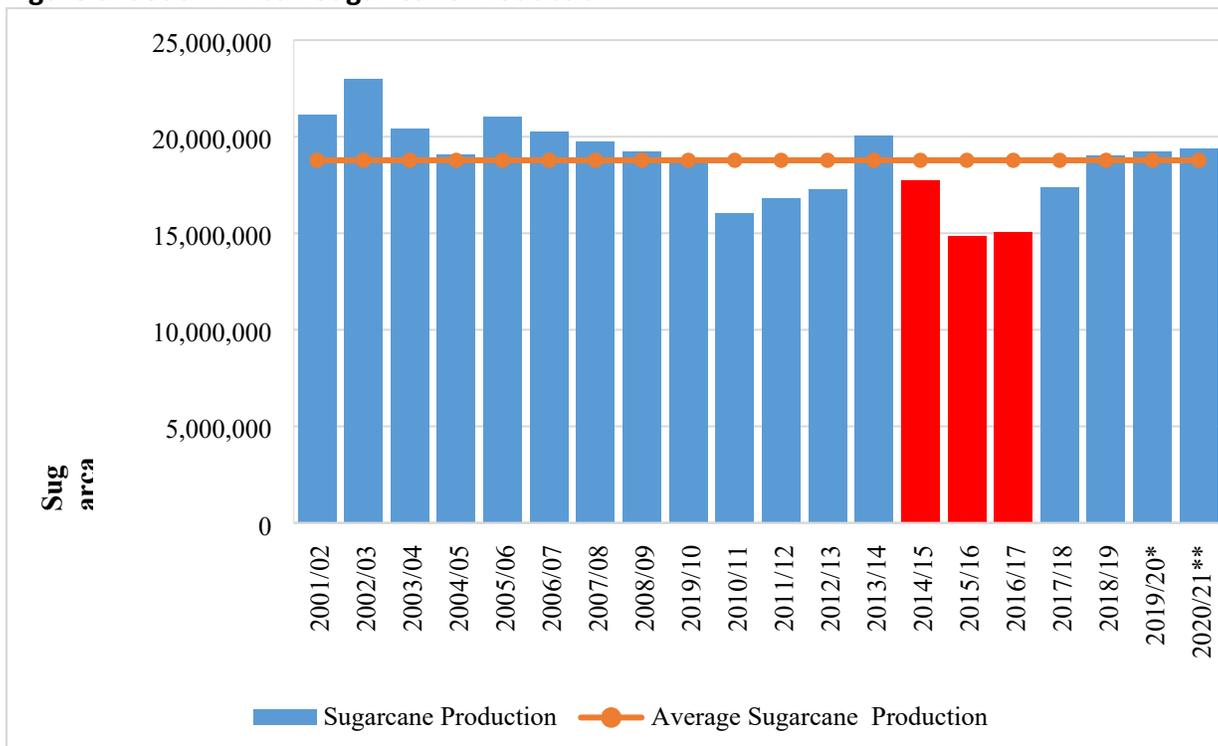
### Production

Post forecasts that the sugar cane crop will increase by 1 percent to 19.4 million MT in the 2020/21 MY, from 19.2 million MT in the 2019/20 MY. This is based on good weather and growing conditions, improved sugar cane yields from new cane varieties, 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, and electricity) is also expected to negatively impact some growers in the 2020/21 MY. The 2019/20 MY production was revised downwards to 19.2 million MT based on final industry data. The industry expects the impact of Covid-19 on the 2020/21 MY and 2019/20 MY sugar cane production to be minimal if operations continue and there is minimal disruptions to input or labor supply. 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 77.3 MT/hectare (HA) in the 2020/21 MY, from 77.1 MT/HA in the 2019/20 MY, due to new varieties and good growing conditions. **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. \*\* Forecast.

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*	366,000	249,500	19,241,812	77.1
2020/21**	370,000	251,000	19,400,000	77.3

\* Estimate. \*\* Forecast.

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 4 percent to R4,400 (US\$241) in the 2020/21 MY, from R4,220.58 (US\$231) in the 2019/20 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. 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**	4,400.00	4%

\*Estimate. \*\* Forecast.

Source: South African Canegrowers Association

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

Sugar Cane for Centrifugal Market Begin Year South Africa	2018/2019		2019/2020		2020/2021	
	Apr 2018		Apr 2019		Apr 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	363	364	366	366	0	370
Area Harvested	280	247	250	250	0	251
Production	19032	19032	19940	19242	0	19400
Total Supply	19032	19032	19940	19242	0	19400
Utilization for Sugar	19032	19032	19940	19242	0	19400
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	19032	19032	19940	19242	0	19400

(1000 HA) ,(1000 MT)

## Sugar:

### Production

Post forecasts that South African raw sugar production will increase by 1 percent to 2.3 million MT in the 2020/21 MY. This is based on an increase in the amount of sugar cane delivered to the mills for crushing, improvement in 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 increase to 12.00 percent in the 2020/21 MY, from 11.93 percent in the 2019/20 MY, as shown in **Table 4**. Two sugar mills will not be opened in the 2020/21 MY, due to the financial difficulties faced by the industry. Industry expects that this will have minimal impact to sugar cane production as other sugar mills have the capacity to crush the diverted cane. However, this may affect the quality of cane and also result to cost increases for growers who will now have to transport their sugar cane for much longer distances. The industry expects the impact of Covid-19 on the 2020/21 MY and 2019/20 MY sugar production to be minimal if operations continue and disruptions to input or labor supply are limited.

**Table 4: Sugar Production and Factory Recoveries in South Africa**

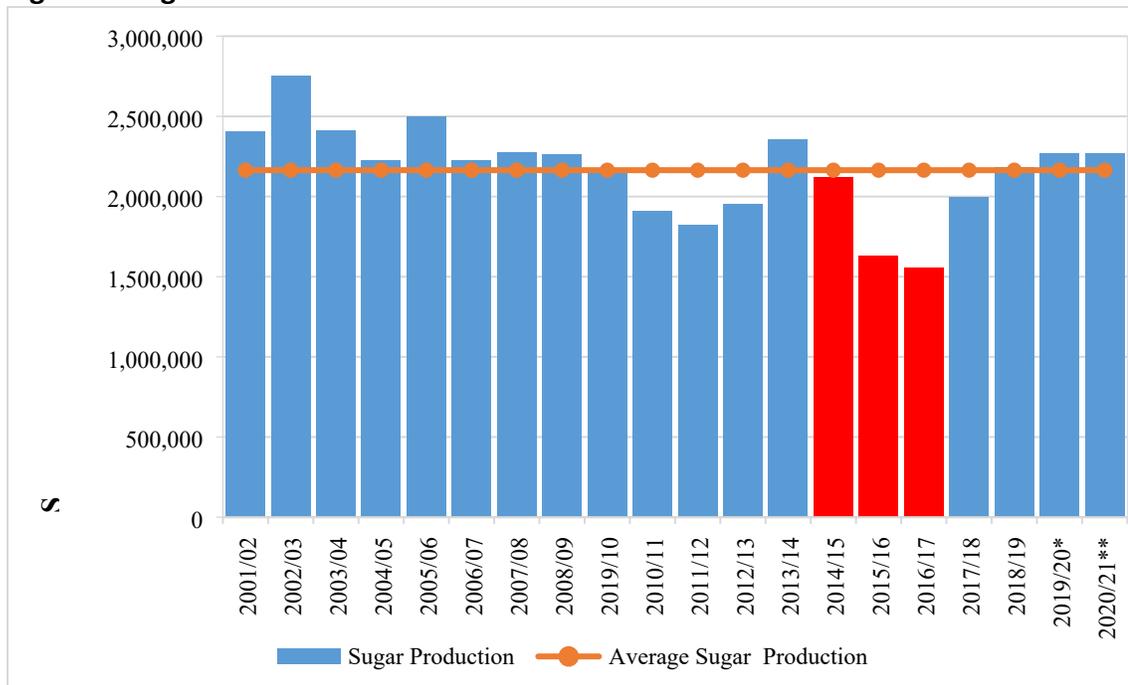
MY	Cane Crushed (MT)	Sugar Production (Tel Quel MT)	Sugar Production (Raw Value MT**)	Sugar/ Cane Ratio (Percentage)
2012/13	17,278,020	1,951,518	2,019,821	11.69%
2013/14	20,032,969	2,352,878	2,435,229	12.16%
2014/15	17,755,504	2,118,232	2,192,370	12.35%
2015/16	14,861,401	1,627,395	1,684,354	11.33%
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*	19,400,000	2,250,000	2,328,750	12.00%

\* Forecast. \*\* 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. \*\*Forecast.

Source: SASA

## Consumption

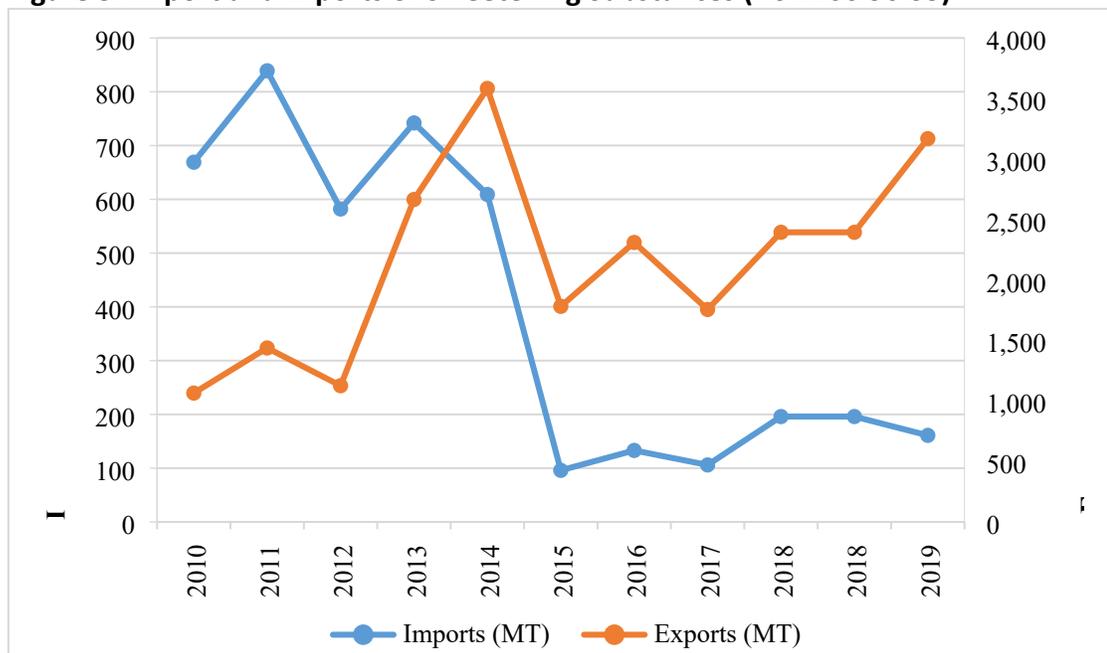
Post forecasts that domestic sugar consumption will increase by 1 percent to 1.7 million MT in the 2020/21 MY, from 1.6 million MT in the 2019/20 MY. This is based on industry and government’s incentives for manufactures to utilize local sugar and the growth in population. However, domestic consumption 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.](#)

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 forecasts that sugar exports will decrease significantly by 17 percent to 1.2 million MT in the 2020/21 MY, from 1.4 million MT in the 2019/20 MY. This is based on the decline in demand due to

the impact of Covid-19 on global supply chains and economies. The 2019/20 MY exports were revised downwards to 1.4 million MT based on the pace of exports up to February 2020.

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 57 percent of the total raw sugar exports in the 2019/20 MY, followed by India (12 percent), China (8 percent), United Kingdom (4 percent), Namibia (4 percent), Italy (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 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 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 36,625 MT for Fiscal Year (FY)2020, 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 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**

<b>South Africa Exports to _World</b>							
<b>Commodity: 170111/170112/170113/170114</b>							
<b>Year Ending: April - March</b>							
<b>Partner</b>	<b>Unit</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020*</b>
_World	T	410,010	157,805	128,596	454,405	575,043	929,947
Malaysia	T	27,550	0	0	0	281,450	527,754
India	T	0	0	0	0	0	113,866
China	T	0	0	0	157,245	0	73,500
United Kingdom	T	0	0	0	35,000	100,110	41,000
Namibia	T	111,951	98,034	93,083	26,398	14,547	40,615
Italy	T	34	0	0	105,008	60,635	39,000
United States	T	46,410	23,087	0	56,539	22,914	36,625
Spain	T	0	0	0	0	31,000	20,000
Bulgaria	T	0	0	0	0	25	18,480
Botswana	T	24,049	19,249	18,631	21,880	13,673	14,941
Lesotho	T	16,242	14,355	13,285	12,436	13,322	11,484
Mozambique	T	17,546	2,086	2,361	1,562	2,809	1,530
Congo (DROC)	T	165	13	12	2	70	717
Greece	T	0	0	0	0	0	400
Eswatini	T	498	419	408	738	292	277
Zimbabwe	T	1,766	110	5	1	4	35

\*Export figures up to February 2020.

Source: Trade Data Monitor (TDM)

**Table 6: Refined Sugar Exports**

<b>South Africa Exports to _World</b>							
<b>Commodity: 170191/170199</b>							
<b>Year Ending Plus: April - March</b>							
<b>Partner</b>	<b>Unit</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020*</b>
_World	T	605,028	146,195	87,564	314,140	466,306	464,509
Mozambique	T	114,888	55,231	25,272	142,019	195,796	164,267
United Kingdom	T	6	2	0	12,824	27,394	73,885
Namibia	T	6,217	11,077	7,985	36,169	65,340	64,172
Malaysia	T	0	0	1	1	0	47,080
Madagascar	T	18,661	9,796	81	22,466	40,789	29,938
Botswana	T	40,486	24,624	38,755	30,257	32,470	28,678
Italy	T	0	1	0	1,627	9,515	16,749
Spain	T	0	0	17	0	2,157	16,046

Angola	T	44,223	13,282	5,414	14,749	11,293	7,002
Lesotho	T	5,938	5,081	5,341	4,668	4,767	3,441
Greece	T	0	0	0	8,207	51	2,782
Comoros	T	4,378	3,679	967	4,078	2,522	2,238
Congo (DRC)	T	6,299	2,498	46	1,472	6,907	2,163
Mayotte	T	2,553	2,316	2,109	3,024	2,836	2,089
Malta	T	0	0	0	0	552	1,058
Seychelles	T	1,046	27	32	139	715	912
Tanzania	T	4,932	1	2	1,553	17,381	901
Cyprus	T	0	0	0	0	0	690
France	T	0	0	0	0	189	107
United States	T	198	128	8	2,698	94	19

\* Export figures up to February 2020.

Source: Trade Data Monitor (TDM)

## Imports

Post forecasts that total sugar imports will decrease by 3 percent to 460,000 MT in the 2020/21 MY, from 475,000 MT in the 2019/20 MY, based on the available sugar supply in the domestic market, and industry and governments efforts to promote local sugar instead of imports.

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 and 2020/21 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: April - March							
Partner	Unit	2015	2016	2017	2018	2019	2020*
_World	T	352,407	362,076	368,474	433,326	329,169	348,211
Eswatini	T	300,617	331,895	291,848	256,174	284,383	320,259
India	T	1,604	5	73	27	3,361	12,706
Malawi	T	0	0	0	532	3,794	5,488
Zimbabwe	T	0	0	1,330	0	8,334	2,834
Mozambique	T	0	0	0	20	1,999	2,521
Brazil	T	30,554	15,552	23,638	43,989	9,260	945
France	T	0	0	0	480	4,400	416
Thailand	T	7,906	627	1,587	23,000	0	325
Zambia	T	8,798	9,991	5,925	5,023	1,501	258
Belgium	T	16	0	5	4,925	1,200	245
Botswana	T	34	1	36	177	103	171
Mauritius	T	66	44	61	2,462	469	79
Germany	T	90	135	158	2,033	2,026	63
United States	T	0	260	0	0	2	1

\* Import figures up to February 2020.

Source: Trade Data Monitor (TDM)

**Table 8: Refined Sugar Imports**

South Africa Imports from _World							
Commodity: 170191/170199							
Year Ending: April - March							
Partner	Unit	2015	2016	2017	2018	2019	2020*
_World	T	153,692	107,559	375,525	314,214	212,420	105,154
Eswatini	T	30,606	17,903	30,341	27,370	62,205	43,372
Brazil	T	100,258	63,306	184,136	152,380	41,323	20,256
Zambia	T	7,163	6,629	3,632	2,598	10,776	17,035
India	T	5,716	3,390	6,021	2,147	13,265	9,912
Malawi	T	8,870	8,753	5,004	5,487	5,123	3,003
Mauritius	T	23	0	4	2,365	2,861	1,829
United Arab Emirates	T	1	1,284	105,066	50,168	25,138	1,546
France	T	4	1	10,845	976	14,644	1,220
Denmark	T	0	0	11	325	1,179	1,134
Zimbabwe	T	1	126	0	254	0	937
Thailand	T	435	2,686	36	24,564	6,157	804

United States	T	12	21	870	295	868	517
Namibia	T	0	0	0	127	242	431
Germany	T	5	45	4,555	3,921	6,051	324
Guatemala	T	0	0	2,600	26,092	0	278
United Kingdom	T	94	459	506	116	728	85
Botswana	T	117	78	76	313	2	37
El Salvador	T	0	0	0	0	3,171	27
Malaysia	T	1	1	4,976	0	0	27
Belgium	T	18	11	12	1,800	524	12
China	T	12	11	14	148	2	6
Netherlands	T	198	3	2	6	1,252	5

\* Import figures up to February 2020.

Source: Trade Data Monitor (TDM)

## Stocks

Post forecasts that the ending sugar stocks will reduce significantly to 75,000 MT in the 2020/21 MY, from 168,000 MT in the 2019/20 MY, based on the increase in consumption and decrease in imports. 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 Market Begin Year	2018/2019		2019/2020		2020/2021	
	April 2018		April 2019		April 2020	
	USDA Official	USDA Official	USDA Official		USDA Official	New Post
South Africa						
Beginning Stocks	526	529	325	498		168
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	2257	2257	2329	2295		2329
Total Sugar Production	2257	2257	2329	2295		2329
Raw Imports	320	329	350	360		350
Refined Imp.(Raw Val)	200	212	250	115		110
Total Imports	520	541	600	475		460
Total Supply	3303	3327	3254	3268		2957
Raw Exports	700	575	800	950		770
Refined Exp.(Raw Val)	490	466	600	480		420
Total Exports	1190	1041	1400	1430		1190
Human Dom. Consumption	1770	1770	1700	1650		1670
Other Disappearance	18	18	19	20		22
Total Use	1788	1788	1719	1670		1692
Ending Stocks	325	498	135	168		75
Total Distribution	3303	3327	3254	3268		2957

(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 36,625 MT that it has been allocated for the 2020 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 418.61c/kg (US\$0.23/kg) as shown in **Table 10**.

### Customs Import Duties

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

Heading/ Subheading	CD	Article Description	Statistical Unit	Rate of Duty (c/kg)				
				General	EU	EFTA	SADC	MERCOSUR
<b>17.01</b>		<b>Cane or beet sugar and chemically pure sucrose, in solid form:</b>						
<b>1701.1</b>		<b>Raw sugar not containing added flavoring or coloring matter:</b>						
1701.12	2	Beet sugar	Kg	418.61	418.61	418.61	418.61	418.61
1701.13	9	Cane sugar	Kg	418.61	418.61	418.61	418.61	418.61
1701.14	5	Other cane sugar	Kg	418.61	418.61	418.61	418.61	418.61
<b>1701.9</b>		<b>Other:</b>						
1701.91	2	Containing added flavoring or coloring matter	Kg	418.61	418.61	418.61	418.61	418.61
1701.99	3	Other	Kg	418.61	418.61	418.61	418.61	418.61

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 December 2019 GAIN report, [Constitutional Amendments to Expropriate Land Without Compensation Moving Ahead](#).

### **Attachments:**

No Attachments