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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 3 percent to 18.8 million Metric Tons (MT) in the 2021/22 MY, based on normal weather conditions, improvements in yields, and marginal increases in area planted. Post forecasts that raw sugar production will increase by 3 percent to 2.2 million MT in the 2021/22 MY, based on the increase in quantity of cane delivered to the mills, a longer milling season, and consistent mill efficiencies (sugar recovery rate). South Africa is expected to fully utilize the United States Tariff Rate Quota (TRQ) allocation in the 2021/22 MY. The industry has been able to successfully increase domestic demand by 150,000 MT in the 2020/21 MY, partly due to the recently introduced Sugar Master Plan and the surge in demand for home consumption during the COVID-19 lockdowns.

**Commodities:**

Sugar, Centrifugal  
Sugar Cane for Centrifugal

**Sources**

Illovo Sugar Company - <http://www.illovo.co.za>  
RCL Sugar Company - <https://rclfoods.com/>  
South African Canegrowers Association - <http://www.sacanegrowers.co.za>  
South African Farmers Development Association - <http://sa-fda.org.za/>  
South African Revenue Services - [www.sars.gov.za](http://www.sars.gov.za)  
South African Sugar Association - <http://www.sasa.org.za>  
South African Sugar Association - <http://www.sasa.org.za>  
Tongaat Hulett Sugar - <http://www.huletts.co.za>

MT – Metric Tons

MY – Marketing Year (April – March)

1US\$ = 14.47 Rands as at April 14, 2021

**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. The term “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)

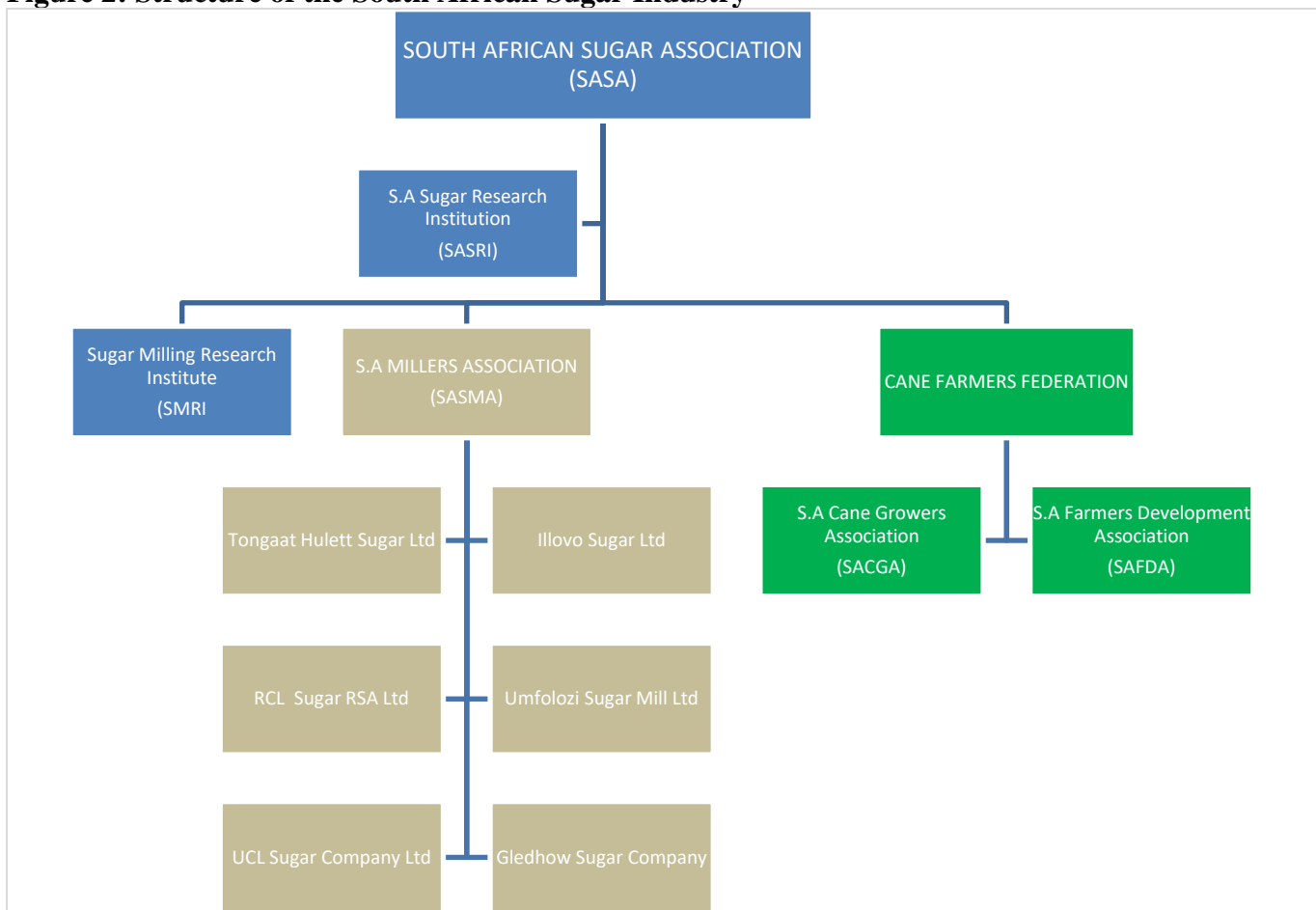
**Figure 2** shows the structure of the South African sugar industry. The South African Sugar Association (SASA) is funded by both growers and milling companies, and is the highest decision making authority in the industry on common issues for sugar cane growers and sugar millers. SASA provides support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

The South African Sugar Millers Association (SASMA) represents the interests 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 13 sugar mills, 11 in the Kwa-Zulu Natal Province and 2 in the Mpumalanga Province. 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 financial challenges faced by the sugar industry has also resulted in Umzimkulu Mill being permanently closed in the 2021/22 MY. There are concerns that if the status quo remains, more sugar mills may be permanently closed which will be devastating to the rural communities and towns who rely on these mills for employment, business and development opportunities. 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

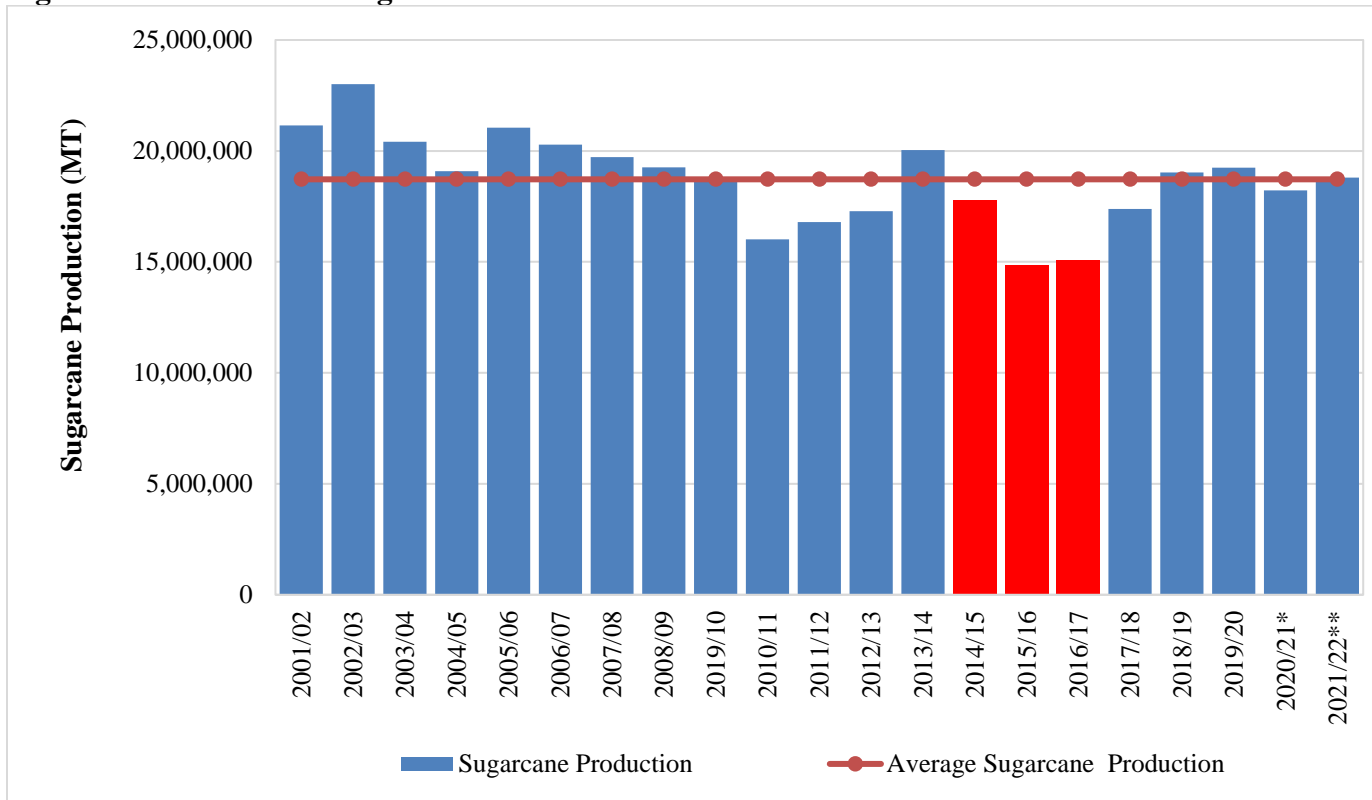
Post forecasts that the sugar cane crop will increase by 3 percent to 18.8 million MT in the 2021/22 MY, up from 18.2 million MT in the 2020/21 MY. This is based on normal weather conditions, improvements in yields, marginal increases in area planted, and industry efforts including under the Sugar Master Plan to increase production, especially for small scale farmers. This is expected to be partially offset by some growers diversifying to more profitable crops, lower replanting from growers who are under financial distress, and risks of carry-over cane due to the limited milling capacity following the permanent closure of Umzimkulu mill and temporary closure of the Darnall mill. The 2021/21 MY sugar cane production was revised downwards to 18.2 million MT, due to cane that was carried over and could not be milled due to limited milling capacity. The full impact of rising costs of fuel, transport, fertilizer, chemicals and labor (due to the increase in minimum wages) are only expected to have an impact on sugar cane production in the medium term and not in the 2021/22 MY.

The industry expects the impact of COVID-19 on the 2021/22 MY sugar cane production to be minimal based on normal operations in most farms and minimal disruptions to inputs or labor supply during harvesting. 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 74.9 MT/hectare (HA) in the 2021/22 MY, from 72.9 MT/HA in the 2020/21 MY, due to normal weather conditions and improved performance of new cane varieties. **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. Some sugar cane growers are in the process of investing in the production of stevia to diversify their income streams.

**Figure 3: South African Sugar Cane Production**



\* Estimate. \*\*Forecast

Source: South African Canegrowers Association & Post Forecasts

**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	250,000	18,220,466	72.9
2021/22**	375,000	251,000	18,800,000	74.9

\* Estimate. \*\*Forecast.

Source: South African Canegrowers Association & Post Forecasts

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 (RVT). 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 forecast to increase by 19 percent to R5,500 (US\$380) in the 2021/22 MY, from R5,030 (US\$348) in the 2020/21 MY, based on the increase in revenue due to the growth in local market sales. 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*	5,030.39	19%
2021/22**	5,500.00	9%

\*Estimate. \*\*Forecast.

Source: South African Canegrowers Association & Post Forecasts.

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

Sugar Cane for Centrifugal Market Begin Year	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
South Africa						
Area Planted	373	373	374	374		375
Area Harvested	261	261	262	262		263
Production	19242	19242	19100	18220		18800
Total Supply	19242	19242	19100	18220		18800
Utilization for Sugar	19242	19242	19100	18220		18800
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	19242	19242	19100	18220		18800
(1000 HA) ,(1000 MT)						

## Sugar:

### Production

Post forecasts that South African raw sugar production will increase by 3 percent to 2.2 million MT in the 2021/22 MY, from 2.1 million MT in the 2020/21 MY, based on the increase in quantity of cane delivered to the mills, a longer milling season, and consistent 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 remain flat at 11.56 percent in the 2021/22 MY, as shown in **Table 4**. The 2020/21 MY sugar production was revised downwards to 2.1 million MT, due to lower than expected sugar cane deliveries, and limited milling capacity due to the closure of two sugar mills.

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 and the operating mills struggled to crush all the cane in the 2020/21 MY. 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. While the Umzimkulu mill has been permanently closed and the Darnall mill will be temporary closed in the 2021/22 MY, most sugar mills opened earlier than usual to lessen the risks of failing to crush some of the cane as was the case in the 2020/21 MY. The impact of COVID-19 on the 2021/22 MY sugar production is forecast to be 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*	18,220,466	2,034,998	2,106,223	11.56%
2021/22**	18,800,000	2,100,000	2,173,500	11.56%

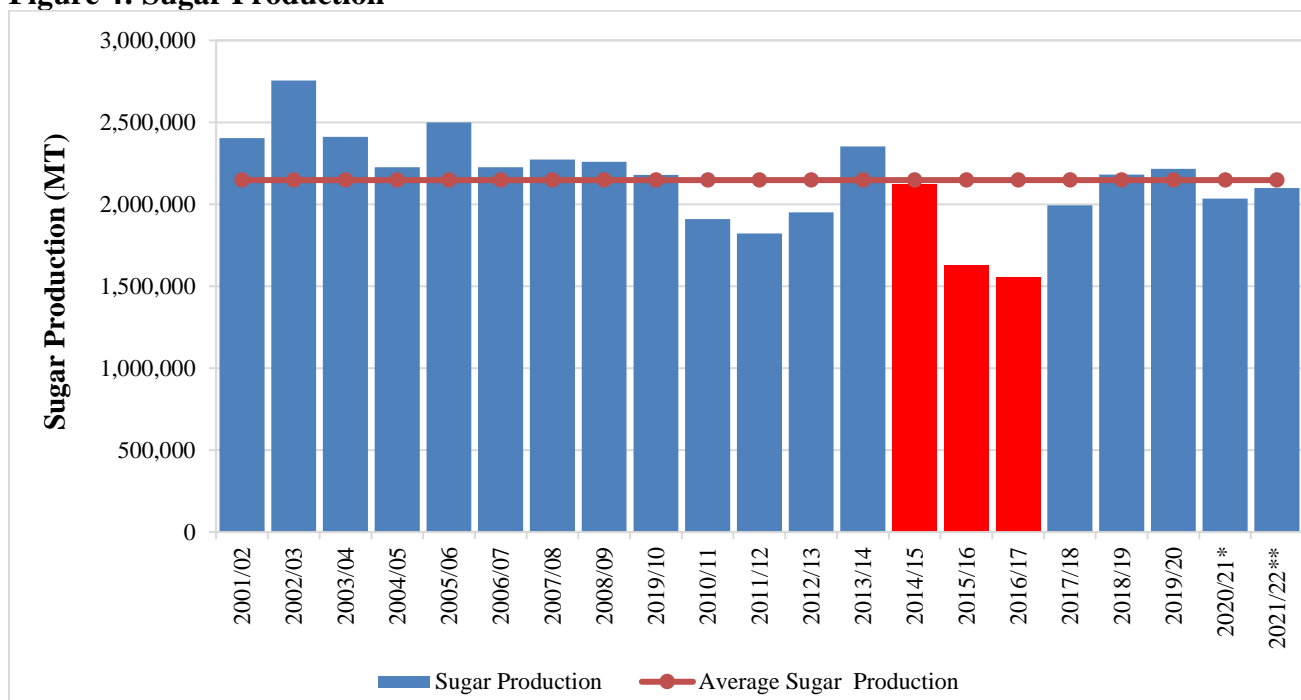
\* Estimate. \*\* Forecast. \*\*\*Raw Value = Tel Quel x 1.035.

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 2 percent to 1.71 million MT in the 2021/22 MY, from 1.67 million MT in the 2020/21 MY. This is based on the growth in population and continued improvements in demand from the local industry following various initiatives by the Sugar Industry Master Plan. The industry has been able to successfully increase demand by 150,000 MT in the 2020/21 MY, partly due to the surge in demand for home consumption during the COVID-19 lockdowns and commitments by local manufacturers to use domestic sugar as part of the Sugar Industry Master Plan.

In the past 3 years, domestic consumption has been impacted 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. Notably, most beverage manufactures seem to have completed their reformulations and the industry does not expect further reductions of sugar demand. The sugar master plan is discussed at the end of the report under the Policy section.

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\$1.45 to US\$1.61 per kg, and is affordable to the majority of the population.

Post expects a continued growth in the use of sweeteners based on the on-going investments by local producers including sugar cane growers and milling companies in the sweetener sector in response to consumer health trends. The trend by the beverage sector to reformulate their drinks to either avoid or minimize the impact of the sugar tax by combining less sugar with an increased use of sweeteners such as aspartame, stevia leaf extract, sucralose and acesulfame potassium, is expected to stabilize in the 2021/22 MY and coming years. This is based on commitments by beverage manufactures under the Sugar Industry Master Plan and most seem to have completed their reformulations. South Africa is currently a net exporter of sweeteners (HS21069035) as shown in **Figure 5**. The increased demand of sweeteners over the years has resulted in the growth of sweetener domestic production, and exports of sweeteners. Some sugar milling companies are also invested in the sweetener industry. Sugar cane growers are in the process of investing in the production of natural sweetener stevia as part of their diversification initiatives. While **Figure 5** shows that imports of Sweetening Substances (Excluding Sweetening Substances With A Basis Of Saccharine) has declined, it is widely believed that some sweeteners are being declared under Food Preparations – Other (HS21069090) and this category has grown significantly to a peak of 38,790 MT in 2019, from 23,400 MT in 2013.

**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 increase marginally by 1 percent to 995,000 MT in the 2021/22 MY, from 985,000 MT in the 2020/21 MY. This is based on the increase in production, and minimal disruptions to some global supply chains by COVID-19. The 2020/21 MY exports were revised downwards to 985,000 MT based on the pace of exports up to February 2021.

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 was 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. Notably, Malaysia is always a net importer of raw sugar to process for further re-exports. Changes in the market share of exports are expected in the 2021/22 MY and 2020/21 MY, based on the pace of exports up to February 2021 and decreases in demand from traditional markets due to the impact of COVID-19.

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 decrease in the 2020/21 MY, based on the pace of exports up to February 2021, and low prices in the EU. The impact of Brexit to South African sugar exports has been minimal as South Africa agreed to a 60,000 MT quota to the United Kingdom in 2019.

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 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 56,539 MT in the 2017/18 MY, yet this tonnage refers to the TRQ allocations for two fiscal years.

Mozambique, Namibia, United Kingdom, Madagascar, Botswana, and Tanzania are the main refined sugar export markets for South Africa. Refined sugar exports have been converted to raw sugar values using a factor of 1.07. South African refined sugar exports to the United States are inconsistent and

minimal due to the absence of a guaranteed sugar quota allocation for refined sugar. The refined sugar quota allocations in the United States are based on a first-come-first-serve basis, and are usually utilized by South American countries including Mexico, Brazil and Columbia.

**Table 5: Raw Sugar Exports**

<b>South Africa Exports to the World</b>							
<b>Commodity: 170111/170112/170113/170114</b>							
<b>Year Ending Plus: April - March</b>							
<b>Partner Country</b>	<b>Unit</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21*</b>
World	T	157,805	128,596	454,405	575,043	971,026	615,526
South Korea	T	0	0	0	0	0	171,832
Malaysia	T	0	0	0	281,450	527,754	93,037
Indonesia	T	0	0	0	0	0	57,500
China	T	0	0	157,245	0	73,500	50,925
United States	T	23,087	0	56,539	22,914	26,285	47,355
Taiwan	T	0	0	0	0	0	35,000
Japan	T	0	0	27,000	0	0	30,000
EU 27 + UK	T	0	1	140,009	216,769	149,880	28,800
Italy	T	0	0	105,008	60,635	70,000	28,800
India	T	0	0	0	0	113,866	26,800
Unidentified	T	36	0	0	6,760	1	25,602
Namibia	T	98,034	93,083	26,398	14,547	48,228	15,990
Lesotho	T	14,355	13,285	12,436	13,322	13,029	13,096
Botswana	T	19,249	18,631	21,880	13,673	15,345	11,864
Tanzania	T	2	10	6	2,323	11	2,007
Congo (DROC)	T	13	12	2	70	1,021	1,727
Mozambique	T	2,086	2,361	1,562	2,809	1,733	1,636
Madagascar	T	0	29	0	0	0	1,300
Zimbabwe	T	110	5	1	4	35	686
Eswatini	T	419	408	738	292	283	353
Saint Helena	T	33	19	23	10	7	8
Ghana	T	1	0	0	26	7	6
Zambia	T	6	6	7	4	6	2
Malawi	T	5	1	0	2	1	1
United Kingdom	T	0	0	35,000	100,110	41,000	0
Spain	T	0	0	0	31,000	20,000	0
Bulgaria	T	0	0	0	25	18,480	0
Greece	T	0	0	0	0	400	0
Angola	T	131	741	54	60	21	0

\*Export figures up to February 2021.

Source: Trade Data Monitor (TDM)

**Table 6: Refined Sugar Exports**

<b>South Africa Exports to the World</b>							
<b>Commodity: 170191/170199</b>							
<b>Year Ending Plus: April - March</b>							
<b>Partner Country</b>	<b>Unit</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21*</b>
World	T	146,195	87,564	314,140	466,306	480,318	358,294
Mozambique	T	55,231	25,272	142,019	195,796	164,328	113,319
EU 27 + UK	T	20	47	23,976	40,761	119,508	85,590
Namibia	T	11,077	7,985	36,169	65,340	66,768	56,983
United Kingdom	T	2	0	12,824	27,394	79,960	49,061
Madagascar	T	9,796	81	22,466	40,789	31,613	22,388
Botswana	T	24,624	38,755	30,257	32,470	30,866	18,513
Tanzania	T	1	2	1,553	17,381	901	14,841
Italy	T	1	0	1,627	9,515	17,600	14,695
Spain	T	0	17	0	2,157	17,266	13,233
Kenya	T	2,291	0	6,406	9,264	0	11,494
Greece	T	0	0	8,207	51	2,782	8,188
Unidentified	T	1,641	207	0	2,756	38	5,701
Uganda	T	857	0	5,362	19,436	0	5,065
Lesotho	T	5,081	5,341	4,668	4,767	3,675	4,157
Angola	T	13,282	5,414	14,749	11,293	7,139	3,705
Rwanda	T	0	0	910	1,259	0	3,366
Comoros	T	3,679	967	4,078	2,522	2,437	3,187
Congo (DROC)	T	2,498	46	1,472	6,907	2,163	2,501
South Sudan	T	0	0	0	567	0	2,204
Zimbabwe	T	10,318	405	10	26	61	1,367
Zambia	T	77	50	69	23	16	1,307
Burundi	T	0	0	428	428	0	746
Israel	T	450	690	1,008	696	0	642
United Arab Emirates	T	6	1	0	0	0	556
Cyprus	T	0	0	0	0	690	230
Sierra Leone	T	0	0	54	0	0	227
France	T	0	0	0	189	107	180
Sudan	T	0	0	0	567	0	134
Mayotte	T	2,316	2,109	3,024	2,836	2,625	107
Seychelles	T	27	32	139	715	939	90
Eswatini	T	42	43	165	350	83	40
Mauritius	T	1	0	1	3,236	0	27
Malawi	T	43	21	27	14	17	12
Ghana	T	2,269	8	3,105	1,863	1	12
United States	T	128	8	2,698	94	19	4

\* Export figures up to February 2021.

Source: TDM

## Imports

Post forecasts that total sugar imports will be stable and only marginally increase by less than 1 percent to 435,000 MT in the 2021/22 MY, from 431,000 MT in the 2020/21 MY, based on the increase in Eswatini exports, partially offset by incentives (rebates) and commitments by manufactures to utilize local sugar instead of imports and depressed demand of sugar imports 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 2021/22 MY and 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 (DBRP).

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**

<b>South Africa Imports from the World</b>							
<b>Commodity: 170111/170112/170113/170114</b>							
<b>Year Ending Plus: April - March</b>							
<b>Partner Country</b>	<b>Unit</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21*</b>
World	T	362,076	368,474	433,326	329,169	381,568	345,646
Eswatini	T	331,895	291,848	256,174	284,383	353,235	331,273
Mozambique	T	0	0	20	1,999	2,521	3,302
Malawi	T	0	0	532	3,794	5,488	3,298
Zambia	T	9,991	5,925	5,023	1,501	258	3,053
Brazil	T	15,552	23,638	43,989	9,260	1,215	2,348
India	T	5	73	27	3,361	12,706	1,087
Zimbabwe	T	0	1,330	0	8,334	2,902	812
Mauritius	T	44	61	2,462	469	79	243
Unidentified	T	1,044	1,094	717	1,874	1,875	67
Germany	T	135	158	2,033	2,026	104	62
Namibia	T	391	538	71	0	0	12
Botswana	T	1	36	177	103	172	9
Belgium	T	0	5	4,925	1,200	245	5

\* Import figures up to February 2021.

Source: TDM

**Table 8: Refined Sugar Imports**

<b>South Africa Imports from the World</b>							
<b>Commodity: 170191/170199</b>							
<b>Year Ending Plus: April - March</b>							
<b>Partner Country</b>	<b>Unit</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21*</b>
World	T	107,559	375,525	314,214	212,420	116,267	79,350
Brazil	T	63,306	184,136	152,380	41,323	23,546	30,086
Eswatini	T	17,903	30,341	27,370	62,205	46,657	26,708
Zambia	T	6,629	3,632	2,598	10,776	17,035	10,538
Malawi	T	8,753	5,004	5,487	5,123	3,003	3,108
India	T	3,390	6,021	2,147	13,265	12,044	2,539
Mauritius	T	0	4	2,365	2,861	2,809	2,308
Zimbabwe	T	126	0	254	0	1,410	1,564
Germany	T	45	4,555	3,921	6,051	509	1,163
Russia	T	0	0	0	0	0	535
Mozambique	T	0	0	0	1,141	667	214
France	T	1	10,845	976	14,644	1,220	128
United Kingdom	T	459	506	116	728	89	109
Poland	T	2,354	1,573	5,548	2,087	0	107
Namibia	T	0	0	127	242	490	81
Unidentified	T	145	4	1,181	7,155	2,354	76
Botswana	T	78	76	313	2	74	37
Belgium	T	11	12	1,800	524	12	25
China	T	11	14	148	2	6	6
Netherlands	T	3	2	6	1,252	5	5
United States	T	21	870	295	868	517	4

\* Import figures up to February 2021.

Source: TDM

## Stocks

Post estimates that the ending sugar stocks will reduce significantly to 49,000 MT in the 2021/22 MY, from 163,000 MT in the 2020/21 MY, based on the increase in consumption and exports. 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 South Africa	2019/2020		2020/2021		2021/2022	
	April 2019		April 2020		April 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	498	498	220	300		163
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	2295	2295	2225	2106		2174
Total Sugar Production	2295	2295	2255	2106		2174
Raw Imports	382	382	400	346		350
Refined Imp.(Raw Val)	116	116	100	85		85
Total Imports	498	498	500	431		435
Total Supply	3291	3291	2945	2837		2772
Raw Exports	971	971	950	625		630
Refined Exp.(Raw Val)	480	480	290	360		365
Total Exports	1451	1451	1240	985		995
Human Dom. Consumption	1600	1520	1660	1670		1710
Other Disappearance	20	20	19	19		18
Total Use	1620	1540	1679	1689		1728
Ending Stocks	220	300	26	163		49
Total Distribution	3291	3291	2945	2837		2772

(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 raw sugar duty free to the United States. The United States is considered a premium market for South African raw sugar exports. South Africa has already utilized the 24,220 MT that it has been allocated for the 2021 Fiscal Year (FY), and has the capacity to utilize 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 2020/21 MY, South Africa did not fully utilize the EU quota due to unfavorable prices and reduced demand in the EU market.

**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 414.85c/kg (US\$0.28/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
<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	414.85	414.85	414.85	414.85	414.85
1701.13	9	Cane sugar	Kg	414.85	414.85	414.85	414.85	414.85
1701.14	5	Other cane sugar	Kg	414.85	414.85	414.85	414.85	414.85
<b>1701.9</b>		<b>Other:</b>						
1701.91	2	Containing added flavoring or coloring matter	Kg	414.85	414.85	414.85	414.85	414.85
1701.99	3	Other	Kg	414.85	414.85	414.85	414.85	414.85

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 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 resulted in the reduction in sugar usage by at least 30 percent (200,000 MT) in the 2018/19 MY, and between 250 000 to 300 000 MT in the 2019/20 MY. Reformulation seems to have stabilized in the 2020/21 MY, and the sugar industry managed to grow demand by about 150,000 MT.

The decrease in domestic sugar demand due to the sugar tax, 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 revenue dropped by up to R1.8 billion (US\$124 million), further reducing the price paid to sugar cane growers in the 2018/19 MY and 2019/20 MY. This placed many sugar cane farmers under serious viability strain and put at least 10,000 on farm jobs at risk. 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.](#)

### **The South African Sugarcane Value Chain Master Plan to 2030**

On November 17, 2020, the Department of Trade, Industry and Competition (DTIC), the Department of Agriculture, Land Reform and Rural Development (DALRRD), and industry stakeholders signed off the South African Sugar Industry Master Plan. The Sugar Industry Master Plan may be downloaded at the following link, <https://sasa.org.za/wp-content/uploads/2020/11/SA-Sugar-Master-Plan-1.pdf>. Industry Master Plans seem to be common under the current administration as a measure to support industries in South Africa. For example, the poultry industry also has a master plan. In general Master Plans provide a comprehensive plan of action to achieve common policy objectives, and provide guidance on policies, support, strategies and actions required to achieve specified targets. Notably, the South African Sugar Industry Master Plan Vision for 2030 is “A diversified and globally competitive, sustainable and transformed sugarcane-based value chain that actively contributes to South Africa’s economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment.”

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 seems to be a positive step in highlighting the declining status of the South African sugar industry and the necessary actions required to address these challenges. However, the success of the Master Plan will require extensive co-operation, effective implementation, and pragmatic approach to the challenges inherent in the plan and the sugar industry. The Sugar Industry Master Plan is not expected to impact South Africa’s ability to utilize and fulfill the United States Tariff Rate Quota (TRQ) for raw sugar.

### **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 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