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Report Highlights:

Post forecasts that the South African sugar cane crop will expand by 9 percent to 18.8 million metric tons (MT) in the 2022/23 market year (MY), based on a return to normal weather conditions, an improvement in yields, and marginal increases in planted area. Post forecasts that raw sugar production will increase by 12.5 percent to 2.2 million MT in the 2022/23 MY, based on an increase in the quantity of cane delivered to mills, a longer milling season, and consistent mill efficiencies (sugar recovery rate). South Africa is expected to fully utilize its allocation of the U.S. tariff rate quota (TRQ) for sugar in the 2022/23 MY. The industry has been able to successfully increase demand by 250,000 MT in the 2021/22 MY, partly due to the surge in demand for home consumption during the COVID-19 lockdowns and commitments by local manufacturers and some retailers to use domestic sugar as part of the Sugar Industry Master Plan.

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
- 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 for sugar cane and May-April for sugar)
1 U.S. dollar (\$) = 14.58 South African rand as at April 12, 2022

Background:

Sugar cane in South Africa is grown in KwaZulu-Natal Province and Mpumalanga Province, as shown in **Figure 1**. Sugar cane production in KwaZulu-Natal Province is 95 percent rainfed with limited irrigated areas, while production in Mpumalanga Province is fully irrigated using center pivots, sprinklers, and a canal system. At least 80 percent of South African sugar cane production is supplied by large-scale farmers, with the remaining 20 percent coming from small-scale farmers.

Figure 1: Map of Sugar Cane Production Areas in South Africa



Source: South African Sugar Association (SASA)

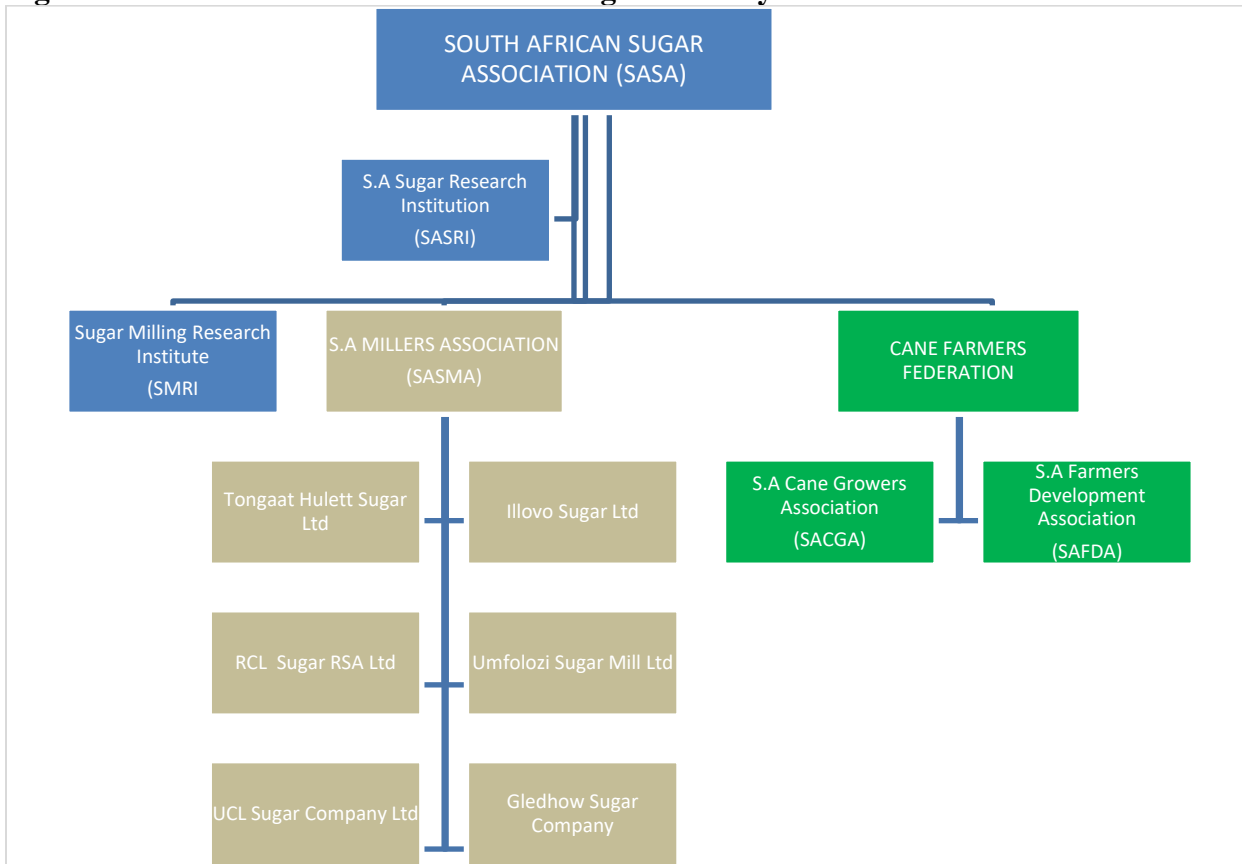
The sugar industry classifies growers based on the volume of sugar cane production. The term “large-scale growers” refers to all producers of more than 1,800 metric tons (MT) of sugar cane per season, with all growers producing less than 1,800 MT of sugar cane classified as “small-scale growers.” Typically, small-scale growers have less than 30 hectares, and most small-scale farmers in communal areas have less than 1 hectare. In total, there are approximately 22,950 registered sugar cane growers in South Africa, comprised of 1,369 large-scale growers and 21,581 small-scale growers. Both large-scale and small-scale farmers are required to sign a sugar cane supply agreement with a specific sugar mill guaranteeing that they will supply that mill, while the mill promises to accept their sugar cane deliveries if they meet the agreed quality standards.

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 industry’s highest decision-making authority on common issues for sugar cane growers and sugar millers. SASA provides support services to the entire industry’s value chain, including exports of raw sugar, cane testing, and policy advocacy. SASA was established by the [Sugar Act of 1978](#) and falls under the authority of the Department of Trade, Industry, and Competition (DTIC). The South African Sugar Research Institute (SASRI) is a division of SASA that 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 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 country’s six sugar milling companies: Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, RCL Foods, 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 KwaZulu-Natal Province and two in 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 have also resulted in the 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 and business development opportunities. The Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and RCL Foods (Formerly known as Tsb Sugar RSA 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 in Eswatini, Malawi, Zimbabwe, Zambia, Mozambique, and Tanzania. The Sugar Milling Research Institute (SMRI) studies sugar manufacturing and provides technical services to the Southern African sugar milling and refining industry.

Figure 2: Structure of the South African Sugar Industry



Sources: SASA, SACGA, and SAFDA

Sugar Cane:

Production

Post forecasts that the South African sugar cane crop will expand by 9 percent to 18.8 million MT in the 2022/23 MY, up from 17.2 million MT in the 2021/22 MY. This is based on a return to normal weather conditions, an improvement in yields, marginal increases in planted area, and industry efforts 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 carryover cane due to the limited milling capacity following the permanent closure of Umzimkulu mill and temporary closure of the Darnall mill. Please note, as this report was being prepared in mid-April 2022, KwaZulu-Natal Province was suffering from the effects of massive flooding in some regions. According to SAFDA, some sugar cane farmers experienced waterlogged fields that could lead to some part of the harvest to rot, while flooded roads could delay deliveries to sugar mills by two weeks or more. There were also some reports of damage at some sugar mills, but Post has been unable to confirm this information. It remains unclear what will be the long-term impact of this flooding. Thus, Post has not incorporated these potential effects into the 2022/23 MY forecast as of publication of this report.

South Africa's sugar cane production in the 2021/22 MY was revised downward, to 17.2 million MT, as a result of cane that was carried over and could not be milled due to limited milling capacity, cane that was burnt and rejected by sugar mills during the civil unrests and protests in KwaZulu-Natal July 2021, and frost damage in some growing areas in June 2021. The COVID-19 pandemic had a minimal effect on the 2021/22 MY sugar cane production, with most farms operating normally and minimal disruptions to the supply of inputs and labor during the harvest.

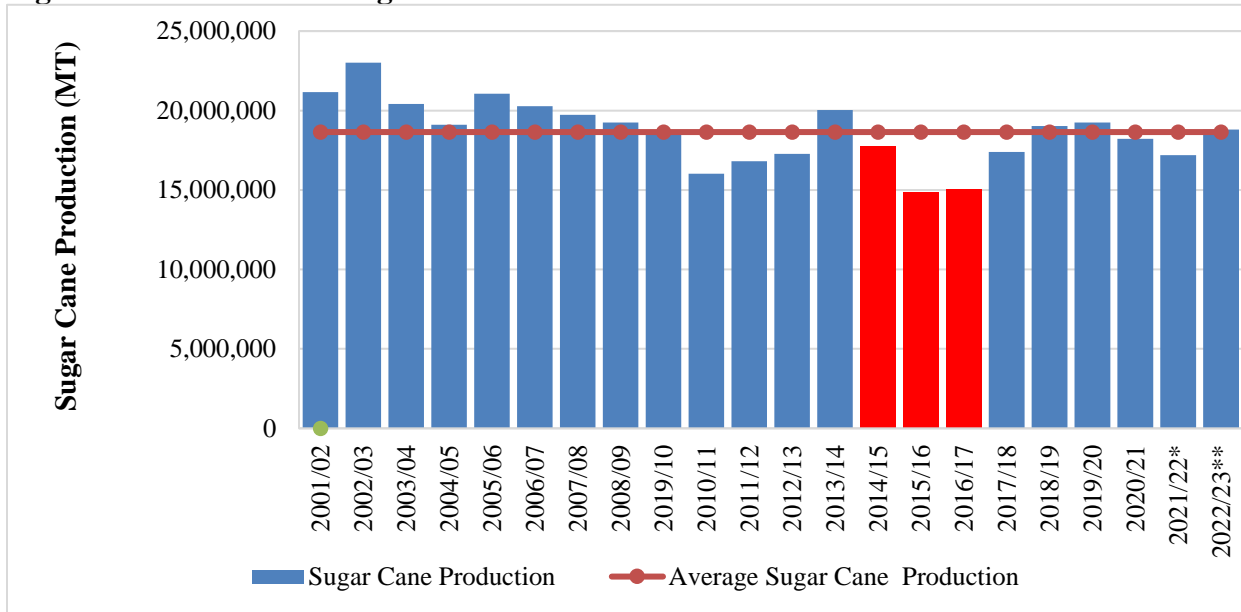
The industry is anticipating challenges in the new year caused by rising costs for fuel, inputs, and labor (due to an increase in the minimum wage). The price of fuel is currently 40 percent above the price in March 2021 and expected to rise even farther. Fertilizer costs have increased by more than 160 percent compared to 2021. This is because of the increase in the global price of oil in response to Russia's invasion of Ukraine.

Nevertheless, sugar cane yields are expected to increase to 69.6 MT/hectare (HA) in the 2022/23 MY, up from 68.5 MT/HA in the 2021/22 MY, due to a return to normal weather conditions and improved performance of new cane varieties. **Figure 3** shows South Africa's sugar cane production from the 2001/02 MY through the 2022/23 MY forecast, including the effects of drought from the 2014/15 through 2016/17 MYs. **Table 1** shows cane yields in South Africa since the 2012/13 MY. Notably, the country's cane yields vary widely, from 30 MT/HA for dryland smallholder farmers in KwaZulu-Natal Province to about 95 MT/HA for farmers in the irrigated growing regions of Mpumalanga Province.

Higher costs of production—due to increases in fertilizer, electricity, and fuel prices—and declining sugar cane prices have resulted in some farmers diversifying to macadamia nuts, avocados, citrus, vegetables, and poultry production. Some sugar cane growers are also in the process of investing in the production of stevia to diversify their income streams.

To reduce the cost of electricity, SACGA has started producing electricity using biogas under their subsidiary company [Womoba Pty Ltd](#) in partnership with one grower. Should the project prove to be viable, some sugar cane farmers in irrigated areas are also expected to invest in biogas projects to improve farm profitability and reduce electricity costs.

Figure 3: South African Sugar Cane Production



Sources: SACGA and Post forecasts

* Estimate **Forecast

Table 1: Sugar Cane 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 |
| 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 | 360,800 | 246,403 | 18,220,466 | 73.9 |
| 2021/22* | 350,000 | 251,000 | 17,199,179 | 68.5 |
| 2022/23** | 349,000 | 270,350 | 18,800,000 | 69.6 |

Sources: SACGA and Post forecasts

* Estimate **Forecast

Sugar cane growers in South Africa are paid by mills based on the quality of sugar cane they deliver. The quality of sugar cane is measured using an industry agreed formula known as the Recoverable Value Tonnage (RVT). As a result, growers always aim to supply sugar cane that achieves the highest amount of sugar content that the mill can recover. The price paid to sugar cane 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 sugar cane price paid to growers is forecast to increase by 10 percent to R5,870 (US\$400) in the 2022/23 MY, up from R5,334 (US\$363) in the 2021/22 MY, based on increased revenue from the growth in local market sales. However, export prices are negotiated in U.S. dollars and thus subject to fluctuations in the exchange rate.

Table 2: Sugar Cane Prices Paid to Growers

| MY | Price (Rand/Recoverable Value Ton) | Percentage Change Year-Over-Year |
|-----------|---------------------------------------|-------------------------------------|
| 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* | 5,334.37 | 6% |
| 2022/23** | 5,870.00 | 10% |

Sources: SACGA and Post forecasts

* Estimate **Forecast

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

| Sugar Cane for Centrifugal Market Year Begins | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2020 | | Apr 2022 | | Apr 2023 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| South Africa | | | | | | |
| Area Planted (1000 HA) | 361 | 361 | 355 | 350 | 0 | 349 |
| Area Harvested (1000 HA) | 246 | 246 | 245 | 251 | 0 | 270 |
| Production (1000 MT) | 18220 | 18220 | 17853 | 17199 | 0 | 18800 |
| Total Supply (1000 MT) | 18220 | 18220 | 17853 | 17199 | 0 | 18800 |
| Utilization for Sugar (1000 MT) | 18220 | 18220 | 17853 | 17199 | 0 | 18800 |
| Utilizatn for Alcohol (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization (1000 MT) | 18220 | 18220 | 17853 | 17199 | 0 | 18800 |
| | | | | | | |
| | | | | | | |

(1000 HA) ,(1000 MT)

Sugar:

Production

Post forecasts that South African raw sugar production will increase by 12.5 percent to 2.22 million MT in the 2022/23 MY, up from 1.97 million MT in the 2021/22 MY, based on an increase in the 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 increase to 11.8 percent in the 2022/23 MY, as shown in **Table 4**. The 2021/22 MY sugar production was revised downwards to 1.9 million MT, due to limited milling capacity due to the closure of two sugar mills.

Two sugar mills (Darnall and Umzimkulu) were not opened in the 2021/22 MY due to financial difficulties faced by the industry. The closure of the two sugar mills resulted in growers diverting their sugar cane to other mills, which struggled to crush all the cane in the 2021/22 MY. Diversion of cane means higher transport costs as cane is transported over longer distances, as well as deterioration of cane quality due to the longer period between harvesting and crushing. While the Umzimkulu mill has been permanently closed and the Darnall mill will remain temporarily closed in the 2022/23 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 2021/22 MY. The impact of the COVID-19 pandemic on the 2022/23 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

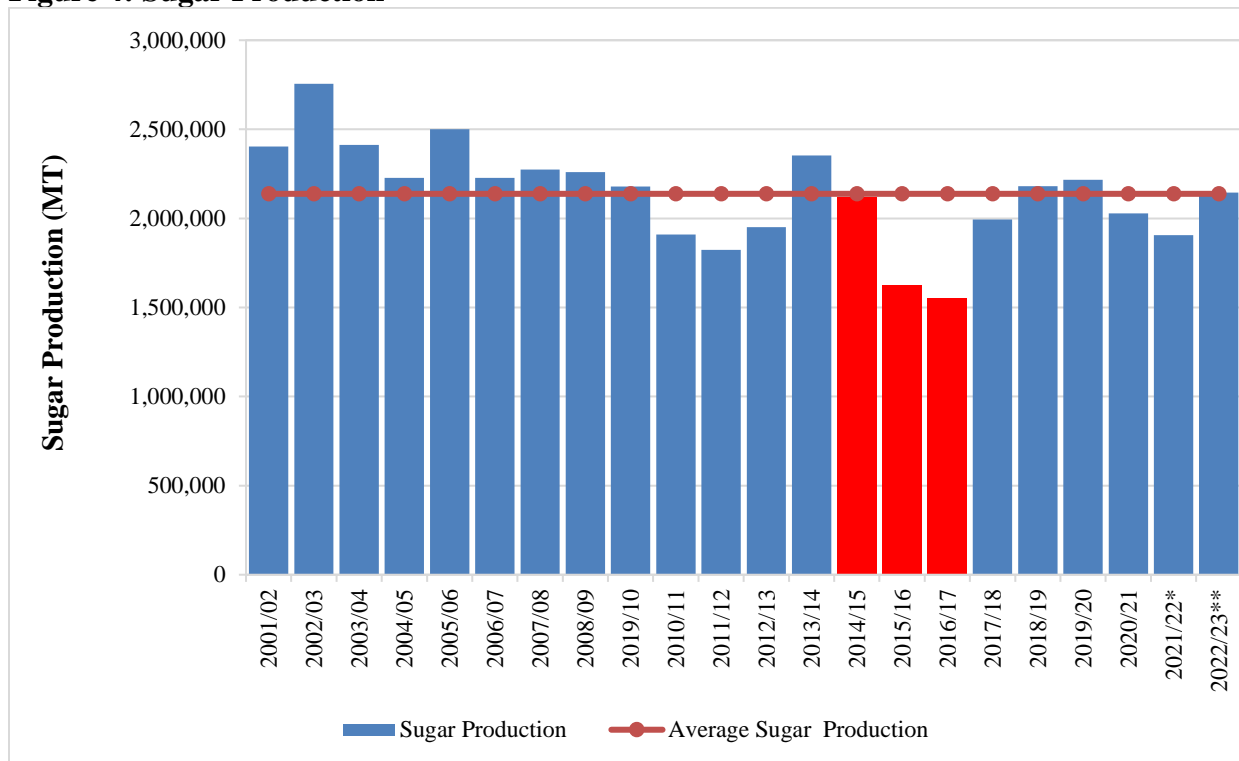
| MY | Cane Crushed (MT) | Sugar Production (Tel Quel MT) | Sugar Production (Raw Value MT***) | Sugar/Cane Ratio (Percentage) |
|-----------|-------------------|--------------------------------|------------------------------------|-------------------------------|
| 2012/13 | 17,278,020 | 1,951,518 | 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 | 2,028,174 | 2,221,356 | 11.32% |
| 2021/22* | 17,199,179 | 1,906,000 | 1,972,710 | 11.46% |
| 2022/23** | 18,800,000 | 2,145,000 | 2,220,075 | 11.8% |

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

Sources: SACGA, SASA, and Post estimates

Figure 4 shows that sugar production since the 2018/19 MY has recovered from the drought conditions seen in the 2015/16 and 2017/18 MYs. However, sugar production has yet to reach the peak production level of 2.8 million MT recorded in the 2002/03 MY.

Figure 4: Sugar Production



Sources: SASA and Post forecasts

* Estimate **Forecast

Consumption

Post forecasts that domestic sugar consumption will increase by 2 percent to 1.77 million MT in the 2022/23 MY, up from 1.73 million MT in the 2021/22 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 250,000 MT in the 2021/22 MY, partly due to the surge in demand for home consumption during COVID-19 lockdowns and commitments by local food and beverage 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 a tax on sugar-sweetened beverages in 2018, as well as an increase in the tax in 2019. Information on the impact of the sugar tax is available in Post’s March 2019 GAIN report, [South African Sugar Industry Crushed by Not So Sweet Tax](#). South African cane farmers and sugar millers were relieved by the recent announcement that the South African government is delaying the next increase in the sugar tax by at least 12 months.

Domestic consumption of sugar is expected to increase by up to 300,000 MT in the next three years if the recently announced [South African Sugarcane Value Chain Master Plan to 2030](#) is implemented

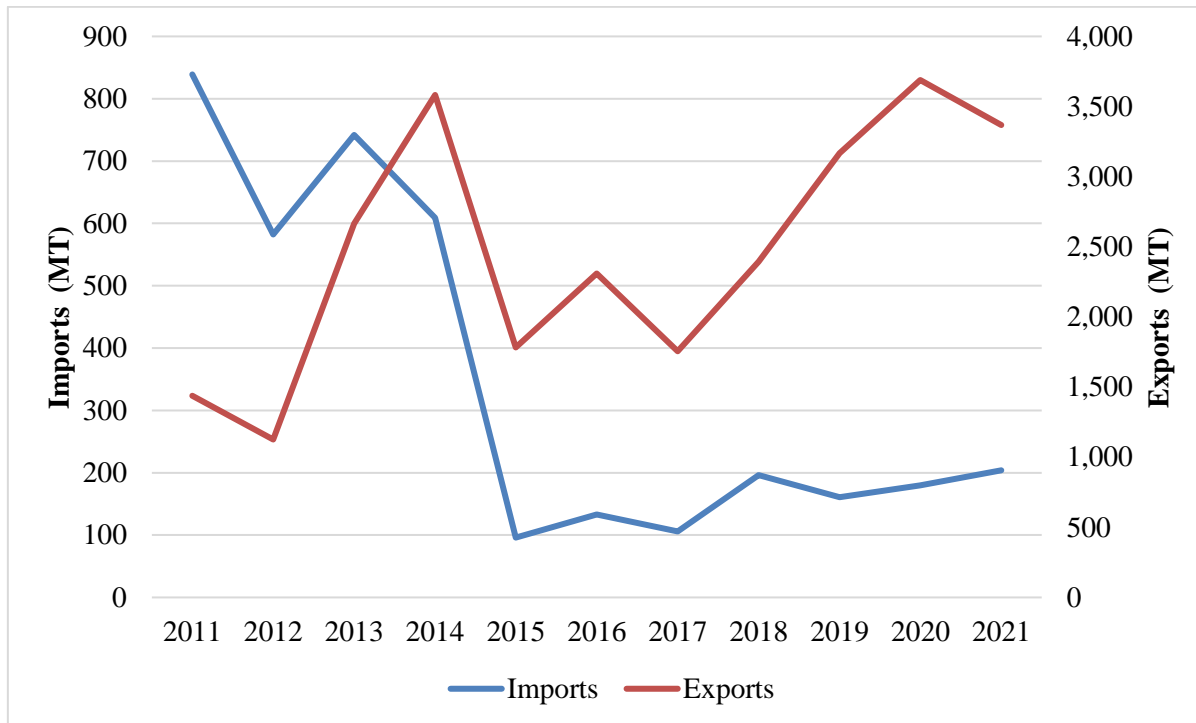
effectively. Notably, most beverage manufacturers seem to have completed their reformulations, and the industry does not expect further reductions of sugar demand. The sugar master plan is discussed in more detail in the policy section at the end of this report.

Sugar in South Africa is primarily used for direct human consumption and for industrial purposes such as an ingredient for producing beverages and confectionary products. The industrial demand for sugar accounts for 60 percent of total domestic sugar sales, while direct home consumption accounts for the other 40 percent. 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 than 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 \$1.45 to \$1.70 per kg and is affordable to the majority of the population.

Post expects a continued growth in the use of sweeteners based on the pace of ongoing 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 coming years. Some sugar cane growers are in the process of investing in the production of natural sweetener stevia as part of their diversification initiatives.

South Africa is currently a net exporter of sweeteners (HS 2106.90.35), as shown in **Figure 5**. The increased demand of sweeteners over the years has resulted in the growth of domestic production and exports of sweeteners from the country. Some sugar milling companies are also invested in the sweetener industry. While **Figure 5** shows that imports of sweetening substances has declined, it is widely believed that some sweeteners are being declared under the “other” food preparations tariff line (HS 2106.90.90), as this category has grown significantly since 2013.

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



Source: South African Revenue Service

Trade

Exports

Post forecasts that sugar exports will increase by 18 percent to 700,000 MT in the 2022/23 MY, up from 595,000 MT in the 2021/22 MY. This is based on expanded production and a marginal increase in the global price of sugar. The 2021/22 MY exports were revised downward to 595,000 MT, based on the pace of exports through February 2022.

South Africa always exports its surplus sugar regardless of the global price 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 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, and Namibia.

South Korea was the leading market for South African raw sugar exports in the 2020/21 MY, accounting for 28 percent of total foreign sales of raw sugar, followed by Malaysia (15 percent), Indonesia (9 percent), China (8 percent), the United States (8 percent), Taiwan (6 percent), and Japan (5 percent). Raw sugar exports to Malaysia, India, and China are not consistent and were 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 2022/23 MY, based on the pace of exports through February 2022 and increases in demand from the domestic market due to the commitments made by manufacturers in the sugar master plan.

Raw sugar exports to the EU accounted for 5 percent of total South African raw sugar exports in the 2020/21 MY due to the annual duty-free quota of 150,000 MT that South Africa was granted under the EU-Southern Africa Development Community (SADC) Economic Partnership Agreement, implemented in 2016. Exports to the EU are expected to increase in the 2021/22 MY based on the pace of trade through February 2022, as well as a marginal price increase in the EU. The impact of Brexit to South African sugar exports has been minimal, as the UK agreed to a 60,000 MT sugar quota for South Africa in 2019.

South Africa is also a beneficiary of the U.S. tariff rate quota (TRQ), with an annual raw sugar allocation of 24,220 MT for Fiscal Year (FY) 2021. The TRQ amount has remained constant over the last several years. The United States is a premium market for South Africa, and South Africa always utilizes its quota allocation each year. The sugar industry marketing year runs from April to March, while the TRQ year runs from October to September, which results in the TRQ for two different FYs being recorded in one MY. 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, the UK, Madagascar, Botswana, and Tanzania are the main refined sugar export markets for South Africa. (Refined sugar exports are 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-served basis and are usually utilized by South American countries including Mexico, Brazil, and Colombia.

Table 5: Raw Sugar Exports

| South Africa Exports to the World | | | | | | | |
|---|-------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Commodity: 170111/170112/170113/170114 | | | | | | | |
| Year Ending Plus: April | | | | | | | |
| Partner Country | Unit | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22* |
| World | T | 128,596 | 454,405 | 575,043 | 971,026 | 622,369 | 337,578 |
| South Korea | T | 0 | 0 | 0 | 0 | 171,832 | 0 |
| Malaysia | T | 0 | 0 | 281,450 | 527,754 | 93,037 | 30,000 |
| Indonesia | T | 0 | 0 | 0 | 0 | 57,500 | 0 |
| China | T | 0 | 157,245 | 0 | 73,500 | 50,925 | 0 |
| United States | T | 0 | 56,539 | 22,914 | 26,285 | 47,355 | 28,119 |
| Taiwan | T | 0 | 0 | 0 | 0 | 35,000 | 0 |
| Japan | T | 0 | 27,000 | 0 | 0 | 30,000 | 0 |
| Unidentified | T | 0 | 0 | 6,760 | 1 | 29,322 | 18,462 |
| Italy | T | 0 | 105,008 | 60,635 | 70,000 | 28,800 | 32,250 |
| India | T | 0 | 0 | 0 | 113,866 | 26,800 | 0 |
| Namibia | T | 93,083 | 26,398 | 14,547 | 48,228 | 16,173 | 13,410 |
| Lesotho | T | 13,285 | 12,436 | 13,322 | 13,029 | 15,348 | 13,682 |
| Botswana | T | 18631 | 21880 | 13673 | 15345 | 11889 | 1256 |

| | | | | | | | |
|--------------|---|-------|--------|---------|--------|-------|---------|
| Tanzania | T | 10 | 6 | 2,323 | 11 | 2,007 | 4,319 |
| Congo (DROC) | T | 12 | 2 | 70 | 1,021 | 1,896 | 1,372 |
| Mozambique | T | 2,361 | 1,562 | 2,809 | 1,733 | 1,725 | 2,022 |
| Madagascar | T | 29 | 0 | 0 | 0 | 1,690 | 4,970 |
| Zimbabwe | T | 5 | 1 | 4 | 35 | 692 | 181 |
| Eswatini | T | 408 | 738 | 292 | 283 | 359 | 1,490 |
| Others | T | 772 | 45,590 | 156,244 | 79,935 | 19 | 186,045 |

Source: South African Revenue Service

*Export data through February 2022

Table 6: Refined Sugar Exports

| South Africa Exports to the World | | | | | | | |
|--|-------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Commodity: HS170191, 170199 | | | | | | | |
| Year Ending Plus: April | | | | | | | |
| Partner Country | Unit | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22* |
| World | T | 87,563 | 314,140 | 466,306 | 480,318 | 385,109 | 219,208 |
| Mozambique | T | 25,272 | 142,019 | 195,796 | 164,328 | 123,966 | 69,039 |
| Namibia | T | 7,985 | 36,169 | 65,340 | 66,768 | 63,501 | 62,895 |
| United Kingdom | T | 0 | 12,824 | 27,394 | 79,960 | 50,152 | 31,011 |
| Madagascar | T | 81 | 22,467 | 40,789 | 31,612 | 23,761 | 15,069 |
| Botswana | T | 38754 | 30256 | 32470 | 30865 | 21806 | 22687 |
| Tanzania | T | 2 | 1,553 | 17,381 | 901 | 14,841 | 722 |
| Italy | T | 0 | 1,626 | 9,516 | 17,600 | 14,695 | 0 |
| Spain | T | 17 | 0 | 2,157 | 17,266 | 13,234 | 653 |
| Kenya | T | 0 | 6,406 | 9,264 | 0 | 11,521 | 629 |
| Greece | T | 0 | 8,207 | 51 | 2,782 | 8,188 | 0 |
| Angola | T | 5,414 | 14,749 | 11,293 | 7,139 | 6,289 | 5,334 |
| Unidentified | T | 208 | 0 | 2,756 | 39 | 5,701 | 2,092 |
| Uganda | T | 0 | 5362 | 19437 | 0 | 5064 | 0 |
| Lesotho | T | 5,340 | 4,668 | 4,767 | 3,674 | 4,611 | 3,693 |
| Rwanda | T | 0 | 910 | 1,259 | 0 | 3,366 | 1,288 |
| Comoros | T | 967 | 4,078 | 2,522 | 2,437 | 3,274 | 1,616 |
| Congo (DROC) | T | 46 | 1,472 | 6,908 | 2,164 | 3,071 | 899 |
| South Sudan | T | 0 | 0 | 567 | 0 | 2261 | 0 |
| Zimbabwe | T | 404 | 10 | 27 | 61 | 1,389 | 731 |
| Zambia | T | 49 | 68 | 24 | 16 | 1,306 | 25 |
| Others | T | 3,022 | 21,296 | 16,588 | 52,705 | 3,112 | 827 |

Source: South African Revenue Service

*Export data through February 2022

Imports

Post forecasts that total sugar imports will drop by 11 percent to 340,000 MT in the 2022/23 MY, from 380,000 MT in the 2021/22 MY, based on the incentives (rebates) and commitments by South African manufactures and some retailers to utilize local sugar instead of imports.

Raw sugar imports from Eswatini accounted for 95 percent of total South African raw sugar imports in the 2020/21 MY because Eswatini is part of SACU, and thus its imports are not subject to any customs duty. This is expected to continue in the 2021/22 and 2022/23 MYs. Raw sugar imports from Brazil and the United Arab Emirates only accounted for less than 1 percent of 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 policy section at the bottom of this report.

Refined sugar imports from Brazil accounted for 37 percent of total South African refined sugar imports in the 2020/21 MY, followed by Eswatini (34 percent), Zambia (14 percent), Malawi (4 percent), and India (3 percent). The share of refined imports from Brazil and the United Arab Emirates also decreased from 49 percent and 16 percent, respectively, in the 2017/18 MY, to 15 percent and 1 percent, respectively, in the 2019/20 MY.

Table 7: Raw Sugar Imports

| South Africa Imports from the World | | | | | | | |
|---|-------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Commodity: 170111/170112/170113/170114 | | | | | | | |
| Year Ending Plus: April - March | | | | | | | |
| Partner Country | Unit | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22* |
| World | T | 368,474 | 433,326 | 329,169 | 381,568 | 374,049 | 348,066 |
| Eswatini | T | 291,848 | 256,174 | 284,383 | 353,235 | 356,724 | 320,619 |
| Malawi | T | 0 | 532 | 3,794 | 5,488 | 5,232 | 4,907 |
| Zambia | T | 5,925 | 5,023 | 1,501 | 258 | 3,756 | 9,843 |
| Mozambique | T | 0 | 20 | 1,999 | 2,521 | 3,302 | 5,422 |
| Brazil | T | 23,638 | 43,989 | 9,260 | 1,215 | 2,618 | 4,948 |
| India | T | 73 | 27 | 3,361 | 12,706 | 1,088 | 7 |
| Zimbabwe | T | 1,330 | 0 | 8,334 | 2,902 | 812 | 0 |
| Mauritius | T | 61 | 2,462 | 469 | 79 | 265 | 1,403 |
| Germany | T | 158 | 2,033 | 2,026 | 104 | 83 | 42 |
| South Africa | T | 0 | 35 | 0 | 0 | 68 | 0 |
| Unidentified | T | 1,094 | 717 | 1,874 | 1,875 | 67 | 84 |
| Namibia | T | 538 | 71 | 0 | 0 | 12 | 0 |
| Botswana | T | 36 | 177 | 103 | 172 | 9 | 34 |
| Belgium | T | 5 | 4,925 | 1,200 | 245 | 5 | 0 |
| United Arab Emirates | T | 1,225 | 42,500 | 1,512 | 0 | 0 | 0 |

| | | | | | | | |
|--------|---|--------|--------|-------|-----|---|-----|
| Others | T | 42,543 | 74,641 | 9,353 | 768 | 8 | 757 |
|--------|---|--------|--------|-------|-----|---|-----|

Source: South African Revenue Service

*Import data through February 2022

Table 8: Refined Sugar Imports

| South Africa Imports from the World | | | | | | |
|--|-------------|----------------|----------------|----------------|----------------|-----------------|
| Commodity: 170191/170199 | | | | | | |
| Year Ending Plus: April-March | | | | | | |
| Partner Country | Unit | 2016/17 | 2017/18 | 2019/20 | 2020/21 | 2021/22* |
| World | T | 375,525 | 314,213 | 116,267 | 84,166 | 48,821 |
| Brazil | T | 184,135 | 152,381 | 23,546 | 31,531 | 13,924 |
| Eswatini | T | 30,341 | 27,371 | 46,657 | 28,354 | 21,451 |
| Zambia | T | 3,633 | 2,598 | 17,034 | 11,537 | 394 |
| Malawi | T | 5,004 | 5,487 | 3,003 | 3,306 | 3,046 |
| Mauritius | T | 4 | 2,365 | 2,809 | 2,602 | 1,398 |
| India | T | 6,021 | 2,147 | 12,044 | 2,538 | 7 |
| Zimbabwe | T | 0 | 254 | 1,409 | 1,564 | 36 |
| Germany | T | 4,555 | 3,920 | 508 | 1,164 | 1,087 |
| Russia | T | 0 | 0 | 0 | 535 | 0 |
| Mozambique | T | 0 | 0 | 667 | 214 | 0 |
| France | T | 10,844 | 976 | 1,220 | 128 | 0 |
| Colombia | T | 0 | 0 | 0 | 128 | 0 |
| United Kingdom | T | 506 | 116 | 90 | 117 | 91 |
| Botswana | T | 76 | 312 | 74 | 109 | 2,780 |
| Poland | T | 1,573 | 5,548 | 0 | 107 | 0 |
| Namibia | T | 0 | 127 | 490 | 105 | 110 |
| Unidentified | T | 4 | 1,181 | 2,354 | 76 | 173 |
| Belgium | T | 12 | 1,800 | 12 | 25 | 0 |
| United Arab Emirates | T | 105,067 | 50,168 | 1,546 | 0 | 4,237 |
| United States | T | 870 | 294 | 517 | 3 | 1 |
| Others | | 22,880 | 57,168 | 2,287 | 22 | 83 |

Source: South African Revenue Service

*Import data through February 2022

Stocks

Post estimates that South Africa's ending sugar stocks will increase marginally to 148,000 MT in the 2022/23 MY, up from 131,000 MT in the 2021/22 MY, based on increased consumption and exports. All sugar produced in each marketing year is sold at the end of the season for the industry to share the revenue between growers and millers, per the agreed division of proceeds formulas (more information in policy section at the bottom of this report). Large volumes of closing stocks also pose a cost to the industry, as growers and millers must pay for the storage of such sugar.

Table 9: Production, Supply, and Distribution (PS&D) for Sugar

| Sugar, Centrifugal Market Year Begins South Africa | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | May 2020 | | May 2021 | | May 2022 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks (1000 MT) | 300 | 300 | 168 | 168 | 0 | 131 |
| Beet Sugar Production (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production (1000 MT) | 2106 | 2106 | 1967 | 1906 | 0 | 2145 |
| Total Sugar Production (1000 MT) | 2106 | 2106 | 1967 | 1906 | 0 | 2145 |
| Raw Imports (1000 MT) | 374 | 374 | 320 | 320 | 0 | 300 |
| Refined Imp.(Raw Val) (1000 MT) | 84 | 84 | 60 | 60 | 0 | 40 |
| Total Imports (1000 MT) | 458 | 458 | 380 | 380 | 0 | 340 |
| Total Supply (1000 MT) | 2864 | 2864 | 2515 | 2454 | 0 | 2616 |
| Raw Exports (1000 MT) | 622 | 622 | 370 | 370 | 0 | 500 |
| Refined Exp.(Raw Val) (1000 MT) | 385 | 385 | 320 | 225 | 0 | 200 |
| Total Exports (1000 MT) | 1007 | 1007 | 690 | 595 | 0 | 700 |
| Human Dom. Consumption (1000 MT) | 1670 | 1670 | 1710 | 1710 | 0 | 1750 |
| Other Disappearance (1000 MT) | 19 | 19 | 18 | 18 | 0 | 18 |
| Total Use (1000 MT) | 1689 | 1689 | 1728 | 1728 | 0 | 1768 |
| Ending Stocks (1000 MT) | 168 | 168 | 97 | 131 | 0 | 148 |
| Total Distribution (1000 MT) | 2864 | 2864 | 2515 | 2454 | 0 | 2616 |
| (1000 MT) | | | | | | |

Trade Policies and Regulations:

U.S. Sugar Tariff Rate Quota Allocation

South Africa is a beneficiary of the U.S. sugar TRQ, which allows the country to export raw sugar duty-free to the United States. The United States is considered a premium market for South African raw sugar exports due to the higher purchase prices. South Africa's TRQ allocation has remained constant over the last several years, and the country always utilizes its full allocation and additional reallocations each year.

EU Sugar Quota and Policies

South Africa was granted an annual duty-free sugar quota of 150,000 MT for export to the EU under the SADC-EU Economic Partnership Agreement that was finalized in October 2016. In the 2021/22 MY, South Africa fully utilized the EU quota due to favorable prices and increased 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 \$680 per ton), is the lowest price that an importer will pay for imported sugar. In the event that 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 duty owed. The DBRP was increased from \$566 to \$680 per ton in August 2018 to restrict increased imports from Brazil and the United Arab Emirates, and because the DBRP of \$566 per ton was below the cost of sugar production in South Africa. Due to low global sugar prices, all imports of sugar below the DBRP into South Africa currently attract a customs duty of 414.85c/kg (\$0.28/kg), as shown in **Table 10**.

Table 10: Customs Duties as of September 2020

| Heading/ Subheading | CD | Article Description | Unit | Rate of Duty (c/kg) | | | | |
|------------------------|----|---|------|---------------------|--------|--------|--------|----------|
| | | | | General | EU | EFTA | SADC | MERCOSUR |
| 17.01 | | Cane or beet sugar and chemically pure sucrose, in solid form: | | | | | | |
| 1701.1 | | Raw sugar not containing added flavoring or coloring matter: | | | | | | |
| 1701.12 | 2 | Beet sugar | Kg | 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 |
| 1701.9 | | Other: | | | | | | |
| 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

Tax on Sugar-Sweetened Beverages

On December 15, 2017, the South African Revenue Service (SARS) announced that starting April 1, 2018, it would start collecting tax on domestic and imported sugar-sweetened beverages, excluding 100 percent fruit juices. The tax 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 package sizes, and reformulating products to reduce sugar content. This resulted in a 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 domestic sugar regulations stipulate that the price 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 of the sugar tax, industry revenue dropped by up to R1.8 billion (\$124 million), further reducing the price paid to sugar cane growers in the 2018/19 and 2019/20 MYs. This placed many sugar cane farmers under serious viability strain and put at least 10,000 farm jobs at risk. Similarly, sugar milling companies are also under profitability strain due to revenue loss. Additional information on the impact of the sugar tax is available in Post’s March 2019 GAIN report, [South African Sugar Industry Crushed by Not So Sweet Tax](#).

On February 23, 2022, the Minister of Finance announced that effective from April 2022, the sugar tax would increase from 2.21 to 2.31 cents per gram. The industry has continued to argue that the sugar tax cost South Africa more than 16,000 job and R2.05 billion (\$140 million) in revenue. They argue that maintaining the tax at the current level will be a major contributing factor towards a decline of 46,000 hectares of sugar cane area in the next 10 years. However, after industry engagements with the government, the sugar tax increase was delayed for at least 12 months.

South African Sugar Cane 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 on the [South African Sugar Industry Master Plan](#). The creation of industry master plans has become a common measure to support various sectors in South Africa. For example, the poultry industry also has a master plan. In general, master plans provide a comprehensive set of actions designed to achieve common policy objectives. The plans also provide guidance on policies, support, strategies, and actions required to achieve specified targets. Notably, the South African Sugar Industry Master Plan’s vision for 2030 is “a diversified and globally competitive, sustainable and transformed sugar cane-based value chain that actively contributes to South Africa’s economic and social development, creating prosperity for stakeholders in the sugar cane 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 plan aims to achieve this over the next three years by, among other things, increasing local market use of domestic sugar by 300,000 MT through by having manufacturers prioritize South African sugar in their products; improving import protections; developing small-scale growers; supporting production diversification; and the potential restructuring of the industry. The master plan has been widely welcomed by the industry and is seen as a step toward highlighting the declining status of the South African sugar industry and the necessary actions to address these challenges. However, the success of the master plan will require extensive cooperation, effective implementation, and a 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 U.S. 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 electric grid due to the absence of appropriate incentives and policy by the government or the state-owned electric company (Eskom). This is expected to change when the sugar master plan is implemented effectively.

Ethanol Production

There is currently no commercial production of 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.

Attachments:

No Attachments

Attachments:

No Attachments