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Post: Pretoria

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Prepared By: Masego Moobi and Katie Woody

Approved By: Ali Abdi

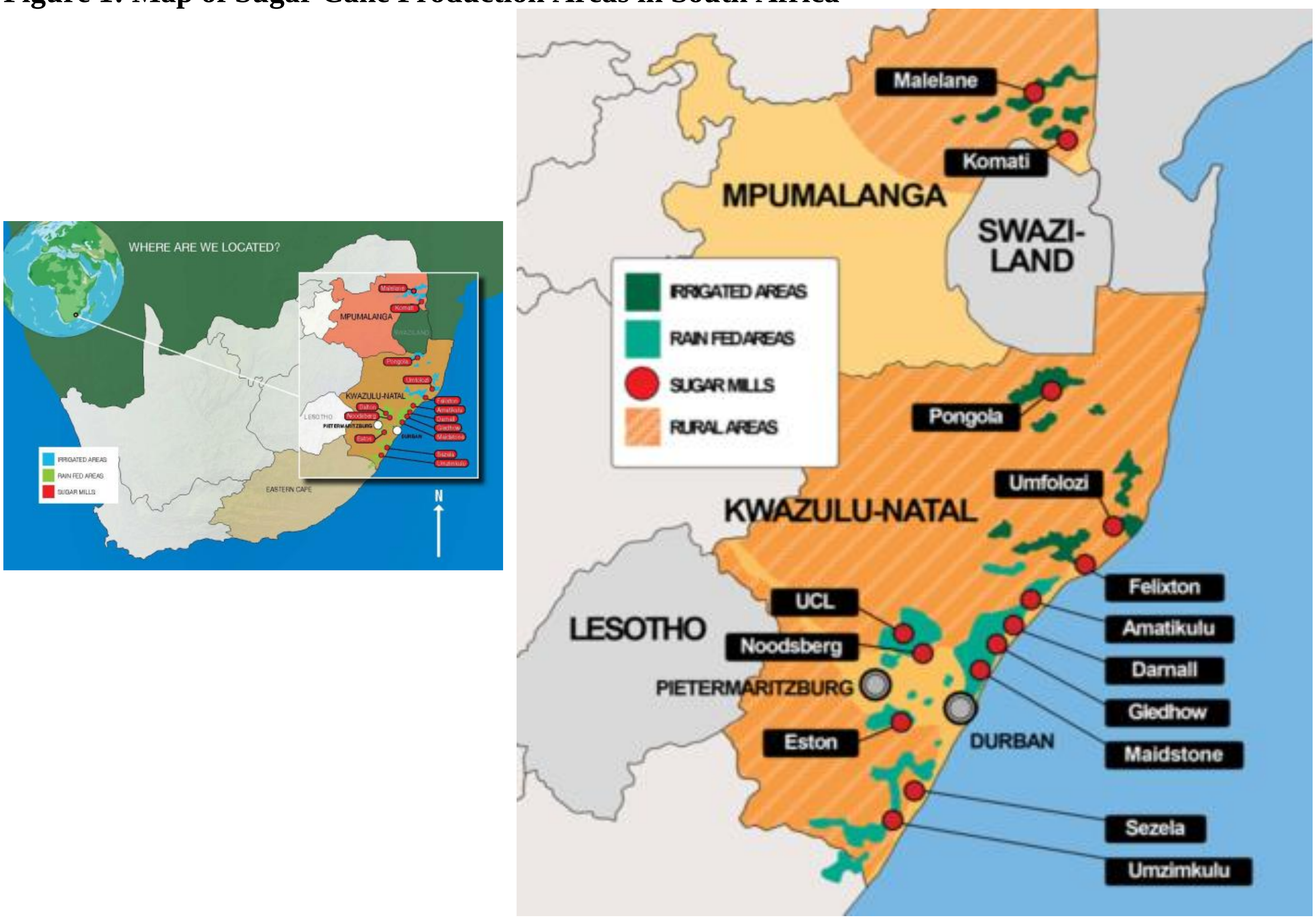
Report Highlights:

Post expects sugar cane production in MY 2024/25 to show modest growth on carry-over cane and slight increase in harvested area. Sugar production is forecast to improve on slight increase in cane deliveries. The sugar industry effected notional price hikes of white and brown sugar which translated to increases in retail prices of sugar. Notional prices have remained below the Consumer Price Index (CPI) over a Phase 1 of the South African sugar master plan, which was concluded in March 2023. It is expected that price increases will have a slight effect on domestic consumption of sugar. On March 15, 2024, the South African Revenue Service adjusted the custom duty on sugar from 0.00c/kg to 140.91c/kg. Therefore, all imports of sugar below the Dollar-Based Reference Price (DBRP) into South Africa will attract a duty. Post expects South Africa will fully utilize its allocated U.S. tariff rate quota in MYs 2023/24 and 2024/25.

Background:

Sugar cane in South Africa is grown in the provinces of KwaZulu-Natal and Mpumalanga, as shown in **Figure 1**. Sugar cane production in KwaZulu-Natal is 95 percent rainfed with limited irrigated areas, while production in Mpumalanga 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 remainder produced by small-scale farmers.

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

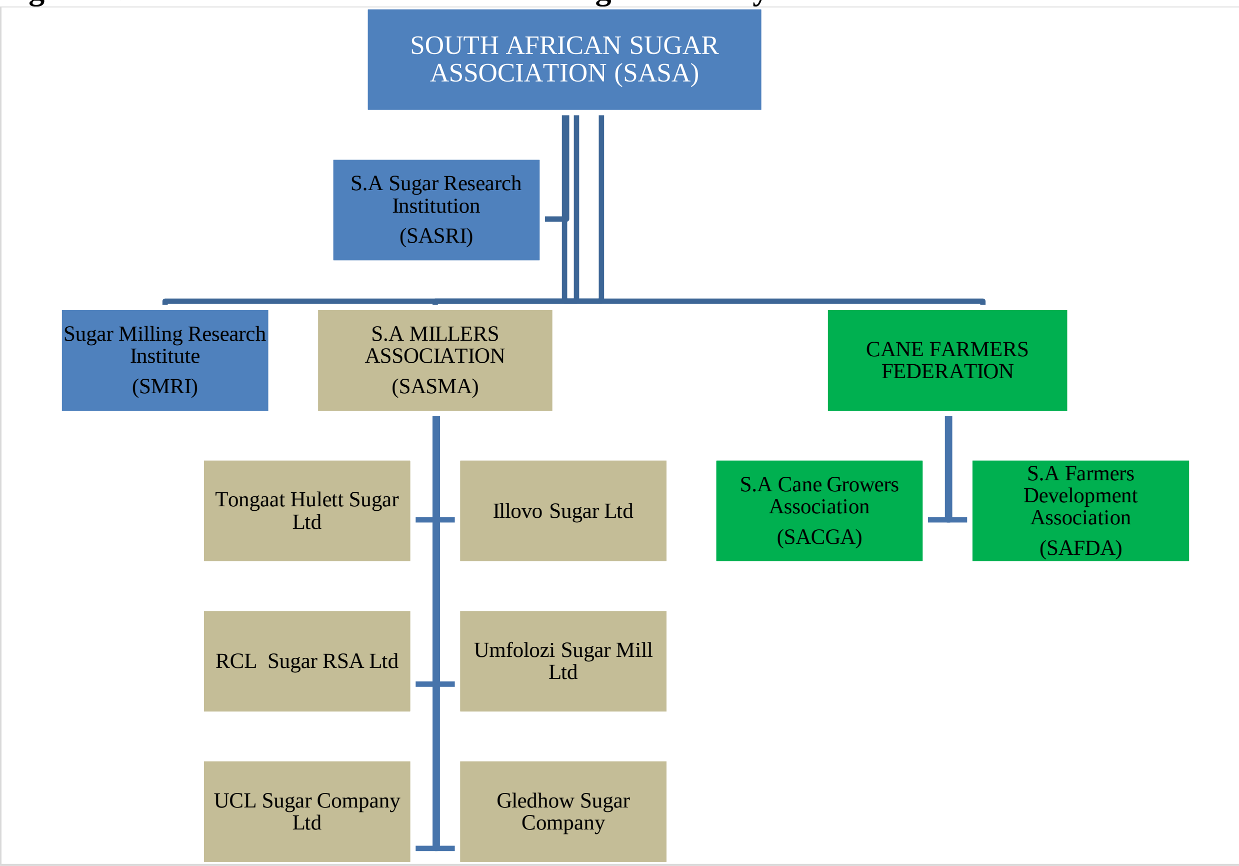


Source: South African Sugar Association (SASA)

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 industry's highest decision-making authority on issues concerning sugar cane growers and sugar millers. SASA provides support services to the entire industry's value chain, including managing 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 South African Department of Trade, Industry, and Competition (DTIC).

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 12 sugar mills: 10 in KwaZulu-Natal and 2 in Mpumalanga. Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, and RCL Foods (formerly known as Tsb Sugar RSA Ltd) produce both raw and refined sugar. Umfolozi Sugar Mill Ltd and UCL Company Ltd only produce raw sugar. The Gledhow Sugar Company only produces refined sugar. Tongaat Hulett, Illovo, and RCL also own sugar mills in other countries such as Eswatini, Malawi, Zimbabwe, Zambia, Mozambique, and Tanzania.

Figure 2: Structure of the South African Sugar Industry



Sources: SASA, SACGA, and SAFDA

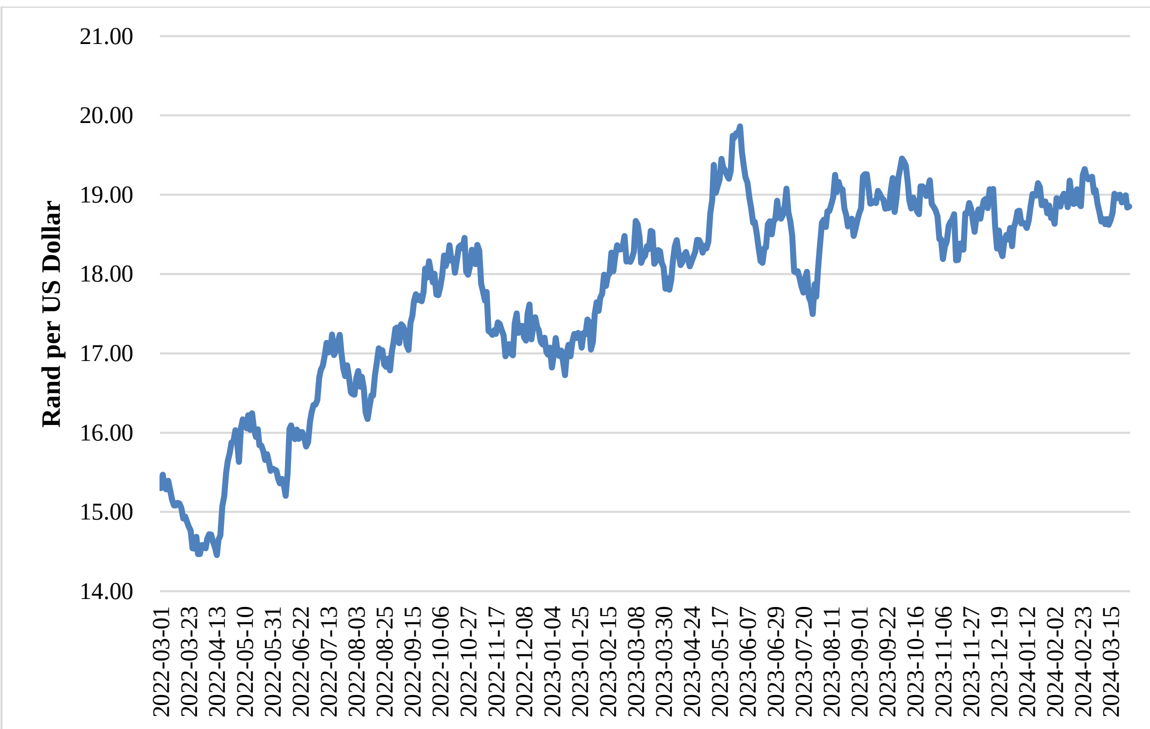
In October 2022, Tongaat Hulett, South Africa's largest sugar miller, opted to enter voluntary business rescue due to financial distress caused by a R369 million ($19.6 million) loss of sugar at a refinery, a depressed property market, the withdrawal of support by a credit insurer, and significant cost increases in commodities and raw materials because of Russia's invasion of Ukraine. (More information is available in Post's November 2022 GAIN report: Financial Troubles Spread for South Africa's Largest Sugar Processer). Two companies, RSG Holdings and Vision consortium, submitted business rescue plans to business rescue practitioners (BRP), however, RSG pulled out a day before the business rescue vote. The BRP voted in favor of Vision Consortium's plan. Tongaat Hulett will only exit business rescue once the plan has been substantially implemented or if it is no longer financially distressed.

In March 2023, the Gledhow sugar mill was also placed under business rescue due to financial distress. The sugar mill, which is situated in KwaZulu-Natal, is important to the sugar industry as it services about 245 growers who produce 1.1 million tons of sugar cane. The company faced challenges such as forced closure due to social unrest in July 2021, damage to machinery and infrastructure in the floods of April 2022, and increases in supply costs that caused cash flow constraints for the company.

Tongaat Hulett and Gledhow defaulted on the approximately R1 billion ($54 million) in levies due to SASA at the end of March 2023 for distribution to growers. This resulted in the recoverable value (the RV price is what growers receive for the cane they deliver to mills) falling by 8 percent, with growers taking a corresponding decrease in revenue for the 2022/23 season, threatening the livelihoods of small-scale growers and the rural economy.

Report Notes

The marketing year (MY) for sugar cane is April-March, while the sugar marketing year is considered May-April. For the purposes of this report, raw cane sugar has been converted to refined sugar volumes using a factor of 1.07. The exchange rate used in this report (as of April 2, 2024) is 18.84 South African Rand (ZAR) to one U.S. dollar (USD). The table below shows the USD to ZAR exchange rates from March 2022 to the present.



Source: South African Reserve Bank

Sugar Cane:

Production

Post forecasts area under cane production will remain unchanged at 353,000 hectares (ha) in MY2024/25. The lack of growth in planted area is due to high input costs, the risk of carry-over cane due to limited milling capacity, erratic electricity supply affecting irrigated cane, as well as the looming increase of South Africa's sugar tax ("health promotion levy") in 2025. The sugar industry is also still facing challenges with two millers; Tongaat Hulett and Gledhow have both been under business rescue. Post estimates planted area in MY 2023/24 increased slightly by 0.4 percent, based on updated industry figures. Additionally, Post contacts report that area expansion was limited by deteriorating logistical infrastructure and limited milling capacity.

Post forecasts MY 2024/25 sugar cane production will increase by 2 percent to 18.3 million metric tons (MT) based on trend yield, a slight increase in harvested area, the availability of sufficient water for irrigation, and industry efforts to increase production by small-scale farmers. Production will also be supported by adequate rains recorded between December 2023 and January 2024 in rainfed cane-producing regions and some sporadic rains in February and March 2024.

Post estimates MY 2023/24 sugar cane production was virtually unchanged from the previous season at 17.9 million MT. South Africa continues to experience significant challenges with its electricity supply, including frequent power outages that affect the country's one-third of sugar cane produced under irrigation. Power cuts hit record levels in MY 2023/24, forcing growers to irrigate whenever power was available, working around frequent scheduled blackouts that required irrigation equipment to be shut off to avoid damage. Growing regions also experienced heavy rains more frequently in MY 2023/24, which led to soil leaching in some farms and a subsequent increase in the application (and cost) of fertilizer. Production was also affected by increased periods of cloud cover in MY 2023/24, lowering solar radiation levels and harming cane quality.

Table 1 shows cane yields in South Africa since MY 2012/13. Cane yields vary widely across the country, from 30 MT/ha for dryland smallholder farmers in KwaZulu-Natal to about 95 MT/ha for farmers in the irrigated growing regions of Mpumalanga. The sugar industry continues to face challenges caused by the rising cost of fuel, inputs, electricity, and labor. Fertilizer prices have decreased somewhat but remain higher than the levels seen prior to the Russia-Ukraine conflict. At the same time, labor costs for cane harvesting have increased. As of March 1, 2024, the national minimum wage set by the government increased by 8.5 percent to R27.58 per hour ($1.46/hour).

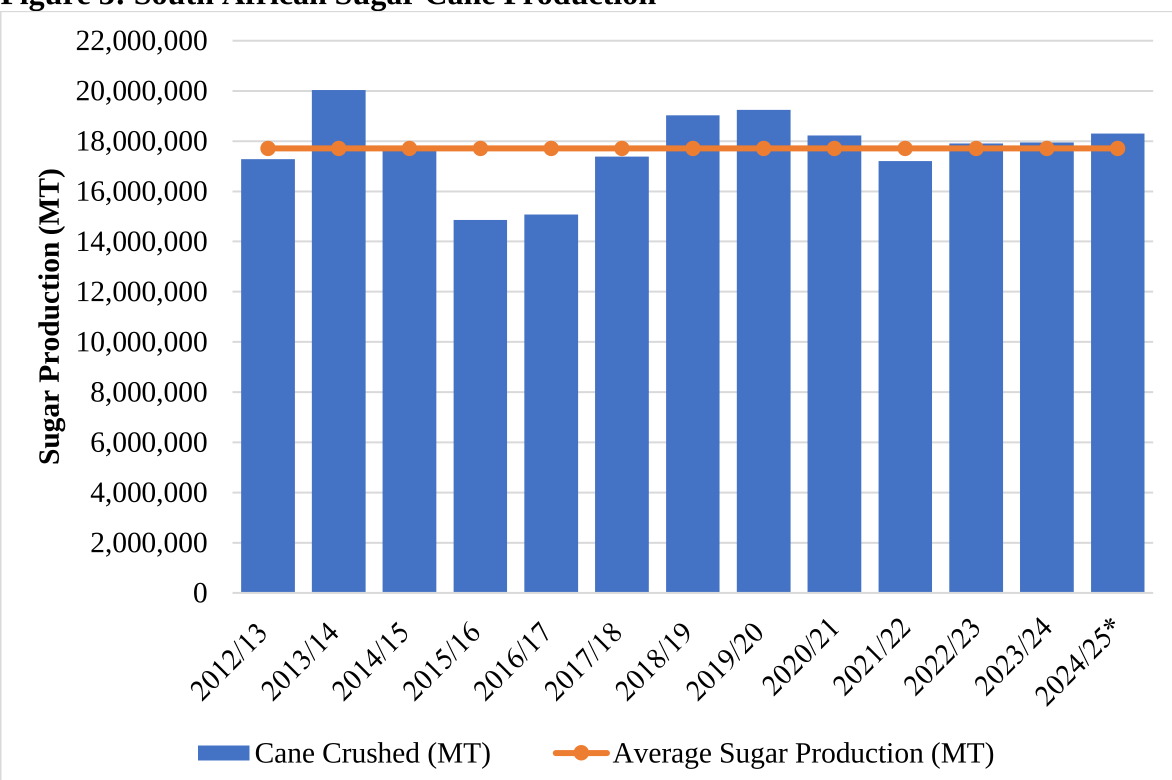
Nevertheless, sugar cane yields are expected to rebound to 72 MT/ha in MY 2024/25, due to investment in crop management, and the improved performance of new cane varieties. **Figure 3** shows South Africa's sugar cane production from MY 2012/13 through Post's MY 2024/25 forecast.

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
2013/14	378,922	265,939	20,032,969	75
2014/15	381,707	272,590	17,755,504	65
2015/16	370,335	258,497	14,861,401	57
2016/17	360,000	260,000	15,074,610	58
2017/18	362,000	275,000	17,388,177	63
2018/19	364,041	247,385	19,031,688	77
2019/20	372,829	249,500	19,241,812	77
2020/21	360,800	250,000	18,220,466	73
2021/22	350,000	251,000	17,199,176	69
2022/23	351,178	250,703	17,911,409	71
2023/24	352,500	252,000	17,943,532	71
2024/25*	352,800	254,000	18,300,000	72

Sources: SACGA and Post forecasts *Post Forecast

Figure 3: South African Sugar Cane Production



Sources: SACGA and Post forecasts *Post Forecast

Sugar cane growers in South Africa are paid by mills based on the quality of the sugar cane they deliver. Cane quality 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 domestic and export markets. RV price is a function of the following factors: gross sugar production, local sugar notional prices, industry costs and special levy, sugar-to-RV ratio, export sugar prices, and the exchange rate.

The final RV price for MY 2023/24 was R7,429.76 ($394.39) per ton, a 37 percent increase from the final MY 2022/23 RV price of R5,453.07 ($284.47). This is mainly due to an increase in the local sugar price implemented in June 2023. A further 5.2 percent increase in the local price of refined and brown sugar was implemented on March 6, 2024. The increased RV price was also bolstered by a weaker weighted average of the exchange rate for the South African rand to the U.S. dollar, a drop in industrial costs estimates, and increases in estimated export revenue based on an upward movement of the weighted average estimated No.11 world sugar price. 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 (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	4,931.31	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	5,435.07	2%
2023/24*	7,429.76	37%

Sources: SACGA and Post forecast *Estimate

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

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Apr 2022		Apr 2023		Apr 2024	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	349	351	349	353	0	353
Area Harvested (1000 HA)	249	251	252	252	0	254
Production (1000 MT)	17914	17911	18500	17944	0	18300
Total Supply (1000 MT)	17914	17911	18500	17944	0	18300
Utilization for Sugar (1000 MT)	17914	17911	18500	17944	0	18300
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	17914	17911	18500	17944	0	18300
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post forecasts South African sugar production will increase by 2 percent, to 2.1 million MT in MY 2024/25. This is based on expected improvements in cane deliveries and cane quality. Post expects milling performance in MY 2024/25 to remain at the same level as last season, as mills had sufficient time to conduct the requisite off-season maintenance. Post estimates sugar production in MY 2023/24 increased by 4 percent over the previous season, to 2.08 million MT based on timely cane deliveries and improved milling efficiency.

In MY 2022/23 sugar production increased by 5 percent driven by record production in the irrigated Pongola area (RCL sugar mill) and Umfolozi mill. However, production in other regions was limited by milling capacity with the permanent closure of two sugar mills and heavy rains in April 2022 that waterlogged fields and delayed the start of the harvest in some areas, which also resulted in lower quality cane.

The sugar recovery rate refers to the number of kilograms (kg) 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 forecast to remain relatively unchanged at 11.5 percent in MY 2024/25, as shown in **Table 4**.

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	1,539,739	1,593,630	10.57%
2017/18	17,388,177	1,985,715	2,055,215	11.82%
2018/19	19,031,688	2,183,821	2,260,255	11.88%
2019/20	19,241,812	2,217,055	2,294,652	11.93%
2020/21	18,220,466	2,018,224	2,088,862	11.46%
2021/22	17,199,176	1,842,663	1,907,156	11.09%
2022/23	17,911,409	1,928,305	1,995,796	11.14%
2023/24	17,943,532	2,005,208	2,075,390	11.57%
2024/25*	18,300,000	2,040,000	2,111,400	11.54%

Sources: SACGA, SASA, and Post estimates *Forecast **Raw Value = Tel Quel x 1.035

Figure 4 shows that sugar production recovered from the drought conditions seen in MY 2015/16 and MY 2017/18 and is now hovering around the volumes seen a decade ago. However, sugar production has yet to reach the peak production level of 2.8 million MT recorded in the MY 2002/03.

Figure 4: Sugar Production

Sources: SASA and Post forecasts * Forecast

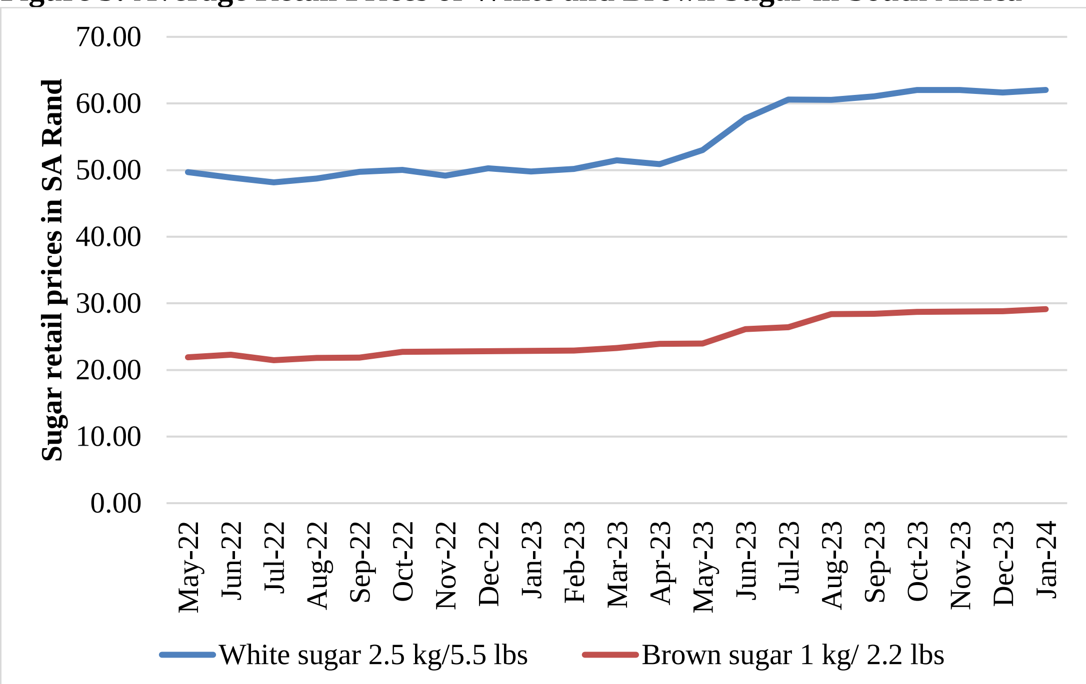
Consumption

Post forecasts sugar consumption will drop by 5 percent in MY 2024/25. The sugar industry had not increased notional prices by more than Consumer Price Index (CPI) from 2020 until June 2023 due to an agreement during the first phase of implementation of Sugar Industry Master Plan (see policy section of this report for more details). However, over that period, growers saw the cost of production grow significantly. The sugar industry concluded phase 1 of the master plan last year, which triggered increases in notional prices of refined sugar (+14.15 percent) and brown sugar (+13.40 percent) in June 2023. To keep up with the growing cost of production, on March 6, 2024, the price was again raised, this time by 5.2 percent for both refined and brown sugar. It is expected that these price hikes will have a slight effect on the consumption of sugar in MY 2024/25.

Figure 5 shows retail price trends for white and brown sugar in since MY 2022/23. By January 2024, the retail price of 1 kilogram (kg) of brown sugar had increased by 25 percent year-on-year, while 2.5 kg bags of white sugar increased by 27 percent. In MY 2022/23, industry was able to boost demand by securing commitments from local food and beverage manufacturers to use domestic sugar.

In MY 2023/24 sugar consumption is estimated to have decreased by 3 percent based on domestic inflationary pressure (for more information, see Post's GAIN report: Food Inflation Surged to a 14-Year High in South Africa).

Figure 5: Average Retail Prices of White and Brown Sugar in South Africa



Source: Statistics South Africa

Sugar in South Africa is primarily used for direct human consumption and as an ingredient for the production of beverages and confectionary products. Food processing demand for sugar accounts for 49 percent of total domestic sugar sales, while direct home consumption accounts for the other 51 percent. The per capita consumption of sugar in South Africa is about 38 kg per year, which is higher than most countries in the Southern Africa region, most of which are below 30 kg per capita. However, South African consumption is still much lower than the United States, which has a per capita consumption of between 68 to 70 kg per year. The retail price of brown and refined sugar in South Africa ranges from \$1.50 to \$1.90 per kg and is affordable for the majority of the population.

Sugar consumption in South Africa has been affected by decreased demand from the beverage sector following the introduction of a tax on sugar-sweetened beverages in April 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 millers were relieved when the Minister of Finance announced in February 2023 a delay of the next increase in the sugar tax by at least two fiscal years. Industry holds the view that there is no evidence that a sugar tax has led to a decrease in obesity rates. Rather, they claim the tax has led to a loss of revenue and jobs for the sector. See the policy section of this report for additional information.

Post expects continued growth in the use of other 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. This follows the trend by the beverage sector to reformulate their drinks with less sugar and switch to no- or low-calorie alternative sweeteners to either avoid or minimize the impact of the sugar tax. This trend is expected to stabilize in the coming years, with many food manufacturers having already reduced their use of sugar and increased the use of sweeteners such as aspartame, stevia leaf extract, sucralose, and acesulfame potassium. However, South Africa's sugar sector remains concerned that new front-of-package food labelling regulations could cause a further shift away from sugar as a sweetener in consumer-oriented food and beverage products (see Post's GAIN report for more details: South Africa Issues New Draft Regulation on Food Labelling). See the policy section of this report for additional information.

Trade

Exports

Post forecasts sugar exports will increase by 1 percent to 810,000 MT, based on modest growth in sugar production, strong world demand of sugar, and a depreciation of the South African rand against the U.S. dollar. Post revises the MY 2023/24 sugar export estimate upwards to 800,000 MT based on updated trade data, showing an 11 percent rise from MY 2022/23 due to high global prices of sugar and a beneficial exchange rate. Domestic prices of raw sugar tend to be higher than export prices, but the weak rand made export prices more appealing in MY 2023/24. The South African rand depreciated by 10 percent between January 2023 ($1=R17.09) and January 2024 ($1=R18.79) due to South Africa's sluggish economic performance. Weather risks in other sugar-producing countries have led to elevated global sugar prices, which also supported South African sugar exports in MY 2023/24. Sugar exports in MY 2022/23 were 722,558 MT, based on final trade data.

South Africa exports surplus sugar once the domestic market and the South African Customs Union (SACU) markets are adequately supplied. SACU members include Botswana, Eswatini, Lesotho and Namibia. In MY 2022/23, Spain was the largest market for South African raw sugar (18 percent), followed by Malaysia (15 percent) and Croatia (13 percent). In total, raw sugar exports to the EU accounted for 55 percent of all South African raw sugar exports in MY 2022/23 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. South Africa also receives an annual duty-free quota for sugar of 71,000 MT under the Economic Partnership Agreement between the UK and SACU/Mozambique (SACUM-UK EPA), and it fills this quota every year. The UK accounted for 13 percent of total South African exports of raw sugar in MY 2022/23, but that number rose 17 percent for first nine months of MY 2023/24.

South Africa is also a beneficiary of the U.S. sugar tariff-rate quota (TRQ). The TRQ has remained relatively constant over the last several years. On July 18, 2023, the office of the U.S. Trade Representative announced a quota allocation of 24,744 MT for South African sugar for fiscal year (FY) 2024 (October 1, 2023–September 30, 2024), and later an additional allocation of 12,650 MT. For FY 2023 (October 1, 2022–September 30, 2023), South Africa received an annual allocation for raw sugar of 24,744 MT and an additional re-allocation of 12,147 MT. The United States is a premium market for South African sugar, and South Africa utilizes its full quota allocation each year. The sugar industry marketing year runs from April to March, while the TRQ year runs from October to September, which can result in the TRQ for two different FYs being recorded in one MY. South Africa exported 6 percent of its total raw sugar to the United States in MY 2022/23. That figure increased to 8 percent for the first nine months of MY 2023/24.

Table 5: South Africa's Raw Sugar Exports

Commodity: 170111/170112/170113/170114							
		Year Ending Plus: May – April			**Year to Date: May - Jan**		
Partner Country	**Unit**	**MY 2021/22**	**MY 2022/23**	**%Δ**	**MY 2022/23**	**MY 2023/24**	**%Δ**
World	**T**	**342,266**	**514,137**	**50%**	**377,256**	**450,053**	**19%**
Spain	T	53,500	90,000	68%	30,000	60,000	100%
Malaysia	T	30,000	77,030	157%	77,030	30,000	-61%
Croatia	T	0	66,000	-	66,000	0	-100%
United Kingdom	T	67,300	64,421	-4%	32,421	77,941	140%
Bulgaria	T	30,000	33,000	10%	33,000	27,000	-18%
Portugal	T	0	33,000	-	33,000	0	-100%
Romania	T	30,000	30,783	3%	30,783	0	-100%
Belgium	T	0	30,000	-	0	0	-
United States	T	28,119	29,794	6%	29,794	36,051	21%
Lesotho	T	14,295	15,132	6%	11,650	12,227	5%
Namibia	T	13,523	13,957	3%	8,936	8,651	-3%
Unidentified	T	16,961	9,064	-47%	7,021	12,579	79%
Madagascar	T	4,450	8,980	102%	6,900	7,174	4%
Mozambique	T	2,064	3,186	54%	2,936	24,956	750%
Zimbabwe	T	180	2,970	1550%	2,915	12,382	325%
Botswana	T	1,673	2,002	20%	1,483	1,592	7%
Eswatini	T	2,770	1,751	-37%	522	530	2%
Sudan	T	0	1,430	-	1,430	1,040	-27%
Congo (DROC)	T	1,532	695	-55%	668	234	-65%
Congo (ROC)	T	2,340	546	-77%	546	520	-5%
Others	T	43,560	398	-99%	222	55,027	24,687%

Source: Trade Data Monitor

Namibia (41 percent), the United Kingdom (30 percent), Mozambique (17 percent), and Botswana (7 percent) are the main export markets for South African refined sugar. South Africa does not export refined sugar to the United States due to the absence of a guaranteed quota. 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. Please note, refined sugar exports are converted to raw sugar values in Post's PSD table using a factor of 1.07.

Table 6: Refined Sugar Exports

South Africa Exports to the World								
Commodity: HS170191, 170199								
		Year Ending Plus: May – April			Year to Date: May – Jan			
Partner Country	**Unit**	**MY 2021/22**	**MY 2022/23**	**%Δ**	**MY 2022/23**	**MY 2023/24**	**%Δ**
World	**RV**	**205,802**	**208,419**	**1%**	**164,952**	**222,269**	**35%**
Namibia	RV	60,753	84,791	40%	61,024	57,506	-6%
United Kingdom	RV	24,499	62,610	156%	50,375	100,074	99%
Mozambique	RV	60,149	35,057	-42%	34,972	2,631	-92%
Botswana	RV	24,086	13,656	-43%	7,128	30,892	333%
Angola	RV	6,236	6,057	-3%	6,057	399	-93%
Zimbabwe	RV	293	2,639	801%	2,282	20,165	784%
Unidentified	RV	4,969	1,272	-74%	1,079	3,133	190%
Lesotho	RV	3,865	979	-75%	825	599	-27%
Madagascar	RV	13,019	636	-95%	636	1,555	144%
Eswatini	RV	3,325	353	-89%	308	59	-81%
Rwanda	RV	749	167	-78%	167	395	137%
Zambia	RV	91	161	77%	72	350	386%
Others	RV	3,770	42	-99%	27	4,510	16,604%

Source: Trade Data Monitor

Imports

Post forecasts total sugar imports will drop by 4 percent in MY 2024/25, to 335,000 MT based on applied import tariffs, consistent domestic production, and prioritization of South African-produced sugar by local food and beverage manufacturers. Additionally, imported sugar is usually more costly than sugar produced in South Africa due to tariffs imposed on sugar imports from outside of SACU. Based on updated trade data, Post revises its import estimate downwards to 350,000 MT in MY 2023/24, a 10 percent drop from MY 2022/23, with the bulk of imports originating from Eswatini.

In MY 2022/23, South Africa imported a total of 390,801 MT of sugar. Raw sugar imports from Eswatini accounted for 97 percent of total South African raw sugar imports in MY 2022/23 because Eswatini is part of SACU and thus Eswatini sugar is not subject to import duties. Raw sugar imports from Brazil and the United Arab Emirates accounted for less than 1 percent of South African imports in MY 2022/23, down from 20 percent in MY 2017/18 due to the impact of the increase in customs duties. Refined sugar imports come mainly from Thailand (35 percent), Eswatini (28 percent), the United Arab Emirates (13 percent), and India (11 percent).

Table 7: South Africa's Raw Sugar Imports

South Africa Imports from the World							
Commodity: 170111/170112/170113/170114							
		Year Ending Plus: May – April			Year to Date: May – Jan		
Partner Country	Unit	MY 2021/22	MY 2022/23	%Δ	MY 2022/23	MY 2023/24	%Δ
_World	T	361,860	305,841	-15%	237,060	253,517	7%
Eswatini	T	329,219	296,025	-10%	231,417	245,712	6%
Mozambique	T	4,552	4,227	-7%	4,057	0	-100%
United Arab Emirates	T	0	3,000	-	0	0	-
Mauritius	T	1,403	1,071	-24%	1,028	0	-100%
India	T	6	948	15,700%	2	814	40,600%
Zambia	T	15,011	136	-99%	136	0	-100%
Unidentified	T	92	126	37%	114	119	4%
Botswana	T	34	103	203%	103	0	-100%
Germany	T	62	102	65%	102	0	-100%
Others	T	11,481	101	-99%	99	6,871	6,840%

Source: Trade Data Monitor

Table 8: Refined Sugar Imports

South Africa Imports from the World							
Commodity: HS170191, 170199							
		Year Ending Plus: May – April			Year to Date: May – Jan		
Partner Country	Unit	MY 2021/22	MY 2022/23	%Δ	MY 2022/23	MY 2023/24	%Δ
World	**RV**	**46,626**	**84,961**	**82.2%**	**33,977**	**26,311**	**-23%**
Thailand	RV	0	29,951	-	0	0	-
Eswatini	RV	22,766	23,786	4.5%	18,356	17,228	-6%
United Arab Emirates	RV	2,119	10,714	405.6%	10,714	0	-100%
India	RV	9	9,625	106,844.4%	582	1,211	108%
Egypt	RV	0	5,008	-	0	0	-
Brazil	RV	11,469	3,127	-72.7%	2,351	5,628	139%
Germany	RV	1,428	1,360	-4.8%	926	819	-12%
Botswana	RV	3,141	331	-89.5%	331	0	-100%
Zambia	RV	254	328	29.1%	328	0	-100%
Morocco	RV	0	308	-	0	0	-
United Kingdom	RV	74	168	127.0%	145	541	273%
Others	RV	5,367	254	-95.3%	243	881	263%

Source: Trade Data Monitor

Stocks

Post forecasts South Africa's ending sugar stocks will decrease to 9,000 MT in MY 2024/25, from 11,000 MT in MY 2023/24, based on modest growth in production coupled with an expected increase in exports. Virtually 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 of this report). Large volumes of closing stocks also pose a cost to the industry, as growers and millers must pay for storage.

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

Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	May 2022		May 2023		May 2024	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	207	207	104	104	0	11
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	1996	1996	2174	2075	0	2111
Total Sugar Production (1000 MT)	1996	1996	2174	2075	0	2111
Raw Imports (1000 MT)	306	306	300	300	0	290
Refined Imp.(Raw Val) (1000 MT)	85	85	65	50	0	45
Total Imports (1000 MT)	391	391	365	350	0	335
Total Supply (1000 MT)	2594	2594	2643	2529	0	2457
Raw Exports (1000 MT)	514	514	550	550	0	560
Refined Exp.(Raw Val) (1000 MT)	208	208	220	250	0	250
Total Exports (1000 MT)	722	722	770	800	0	810
Human Dom. Consumption (1000 MT)	1750	1750	1776	1700	0	1620
Other Disappearance (1000 MT)	18	18	18	18	0	18
Total Use (1000 MT)	1768	1768	1794	1718	0	1638
Ending Stocks (1000 MT)	104	104	79	11	0	9
Total Distribution (1000 MT)	2594	2594	2643	2529	0	2457
(1000 MT)						

Trade Policy and Regulations:

Sugar Marketing and Sales

The South African sugar industry operates according to the terms set out in the Sugar Act 1978, the Sugar Industry Agreement (2000), and the Constitution of the South African Sugar Association. The South African Sugar Association (SASA) 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 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 markets 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.

SASA sets the sugar notional price and manages the division of industry proceeds from the sale of sugar and molasses. The split between growers and millers is 64 percent to 36 percent, respectively. Producers are paid according to the recoverable value (RV) content delivered to the mills, whereas millers are compensated according to their share of sugar production.

U.S. Sugar Tariff-Rate Quota (TRQ) 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 relatively constant over the last several years, and the country always utilizes its full allocation and any additional reallocations each year.

EU and UK Sugar Quotas 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, which was finalized in October 2016. In MY 2023/24, South Africa fully utilized the EU quota due to favorable prices and increased demand in the EU market. Since the UK left the EU in 2020, South Africa has also received an annual duty-free quota of 71,000 MT under the Economic Partnership Agreement between the UK, SACU, and Mozambique (SACUM-UK EPA).

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. If 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.

On August 4, 2023, the South African Revenue Service (SARS) reduced the sugar import duty from 196.28 cents per kilogram (c/kg) to zero. Therefore, all imports of sugar below the DBRP into South Africa did not attract a duty. The London No.5 price remained above $680/ton, which triggered a zero-import duty in May 2023. However, there is often a lag between the time a tariff change is triggered and when it goes into effect through publication in the government gazette, hence it was adjusted in August 2023.

On March 15, 2024, the custom duty on sugar was adjusted to 140.91c/kg. The prevailing sugar price of at $608.34/ton triggered the adjustment on January 09, 2024, and it signed off by the South Africa's International Trade Administration Commission (ITAC) on January 19, 2024.

Tax on Sugar-Sweetened Beverages

The South African government created a sugar tax (dubbed a "health promotion levy") in 2017 with an objective to cut obesity levels. The levy is currently 2.1 cent per gram of sugar content that exceeds 4 grams per 100 ml, or about 10 percent of the price of sugary drinks. In 2020, the government announced an increase in the levy, however implementation was postponed to April 2023 to allow for engagement with the sugar industry. In February 2023, the Minister of Finance announced that increases to the sugar tax would be postponed for another two fiscal years, citing the impact of flooding and social unrest on the sugar industry. The South African Canegrowers Association, which represents farmers, has urged the Ministry of Finance to share the data used to justify the introduction of the levy and proof that the tax has reduced obesity levels. Other analysts state it is still too early to produce this kind of data and it would take generations to see any changes in society. 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.

South African Sugar Industry Master Plan to 2030

On November 17, 2020, the South African Department of Trade, Industry and Competition (DTIC); the Department of Agriculture, Land Reform and Rural Development (DALRRD), along with industry stakeholders, signed off on the South African Sugar Industry Master Plan to 2030. The objective of the master plan is to ensure the long-term sustainability and profitability of the sugar sector in South Africa. 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. 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 master plan follows a phased approach to planning and implementation. For the three-year Phase 1 stage, which ended in March 2023, the aim was to increase domestic use of sugar to at least 300,000 MT by having local manufacturers prioritize South African sugar instead of imports to make their products. Industry sources shared that domestic consumption had increased by at least 280,000 MT, just shy of the target but widely considered a success. The master plan also aimed to provide pricing certainty to retailers and consumers by containing producer prices at or below consumer inflation in an effort to restore sales. However, in June 2023, after the end of Phase 1 of the master plan, the sugar industry triggered an increase in the sugar notional price (14 percent for refined sugar and 13 percent for brown sugar) in an effort to keep up with the growing cost of production in recent years. A further increase of 5.2 percent was instituted on March 6, 2024. Sugar industry players are currently discussing the terms of the second phase of the master plan, but no implementation date has been announced.

Electricity Co-Generation

The South African sugar industry currently uses bagasse to generate electricity for milling operations. None of the electricity generated from the sugar mills is supplied to the national electric grid due to the absence of appropriate incentives and policies by the government or the state-owned electric company (Eskom). However, unprecedented levels of load shedding (rolling backouts) have caused electrical generation to come to the forefront of national policy discussion (see Post's GAIN report for more details: Load shedding and the Economic Strain on the Food Supply Chain). Although Post is unaware of any specific plans to integrate sugar mills into the national grid at this time, the national crisis could lead to consideration of options that were previously on the backburner. The industry's ability to generate its own electricity has allowed millers to avoid the escalation of generator and fuel costs and shutdowns of operations experienced by others in the South African agricultural sector.

Ethanol Production

There is currently no commercial production of fuel-grade ethanol from sugar cane in South Africa. However, some 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. There have been discussions of piloting ethanol production at a vacant refinery in KwaZulu-Natal, however no concrete plans have emerged.

Draft Regulations on Front-of-Package Labelling

The South African Ministry of Health has published draft regulations on labelling and advertising of foods. The draft regulation proposes that pre-packed foodstuffs will bear mandatory front-of-pack labelling when containing added sugar in excess of 10 grams per 100 grams in solids or 5 grams per 100 ml in liquids (see Post's GAIN report for more details: South Africa Issues New Draft Regulation on Food Labelling). Industry and affected parties were given until July 21, 2023, to submit comments or representation to the South African Director General of Health. The sugar sector submitted comments, as did some individual companies in the industry. Post is monitoring updates on this proposed regulation.

Report Sources:
South African Canegrowers Association - www.sacanegrowers.co.za
South African Sugar Association - www.sasa.org.za
Attachments:

No Attachments