

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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GAIN Report Number:

Swaziland

Sugar Annual

Swaziland Sugar Exports Expected to Jump by 35 Percent

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Report Highlights:

Post forecasts that sugar cane production in Swaziland will increase by 5 percent to 5,700,000 MT in the 2018/19 MY, due to good rainfall received at the beginning of the year, improvements in cane yields, and growth in the area harvested. Post forecasts that the Swaziland sugar production will increase by 6 percent to 690,000 MT in the 2018/19 MY, based on an increase in sugar cane delivered to the sugar mills, better quality of sugar cane, and improved factory recoveries at the mills. Post forecasts that Swaziland will fully utilize its allocated United States Tariff Rate Quota (TRQ) in the 2018/19 MY.

Commodities:

Sugar, Centrifugal
Sugar Cane for Centrifugal

Executive Summary

Post forecasts that the sugar cane production in Swaziland will increase by 5 percent to 5,700,000 MT in the 2018/19 MY, due to good rainfall received at the beginning of the year, improvements in cane yields, and growth in the area harvested.

Post forecasts that the Swaziland raw sugar production will increase by 6 percent to 690,000 MT in the 2018/19 MY, based on an increase in sugar cane delivered to the sugar mills, better quality of sugar cane, and improved factory recoveries at the mills.

Post forecasts that Swaziland's sugar exports will increase by 35 percent to 710,000 MT in the 2018/19 MY, based on the increase in sugar production and large available stocks. Swaziland sugar imports are forecast to remain flat at 15,000 MT in the 2018/19 MY, based on the large available stocks, and increased production which will be sufficient to satisfy domestic demand.

Post forecasts that Swaziland will fully utilize its allocated United States Tariff Rate Quota (TRQ) in the 2018/19 MY.

Sources:

Swaziland Sugar Association - <http://www.ssa.co.sz>

Illovo Sugar Ltd - <http://www.illovo.co.za>

Tongaat Hulett - <http://www.huletts.co.za>

Swaziland Canegrowers Association

MT – Metric Tons

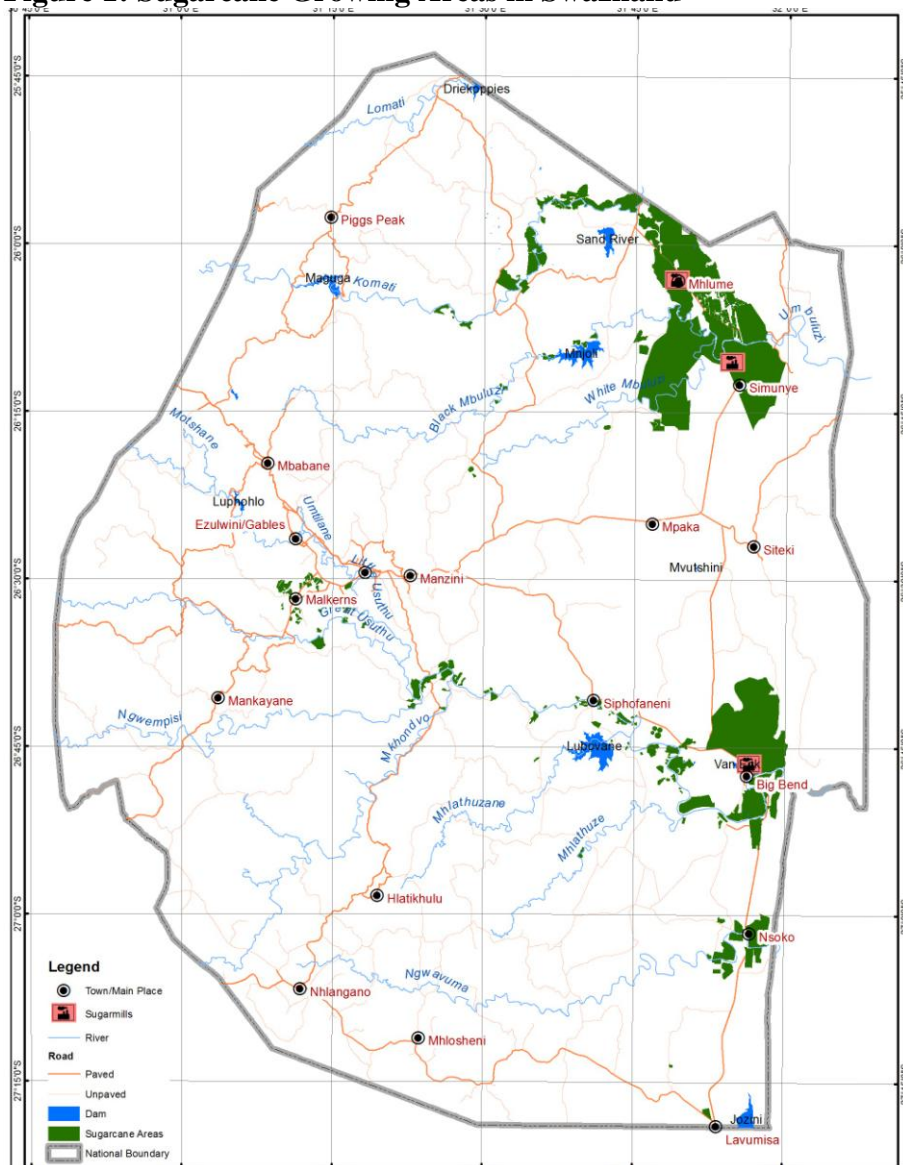
MY – Marketing Year (April to March)

1US\$ = 12 Swaziland Elangeni (SZL)

Background

Sugar cane in Swaziland is grown in the lowveld under irrigation as shown in the areas highlighted with green in **Figure 1**. There are four categories of growers, namely, Miller-Cum Planter (estates owned by the sugar mills), large scale growers, medium size growers and small holder growers. Miller owned estates contribute the largest share of sugar cane production at 49 percent, followed by large scale growers (18 percent), medium size growers (12 percent) and small holder growers (21 percent). Swaziland has three sugar mills, namely, Mhlume, Simunye and Ubombo with a combined annual sugar production capacity in excess of 800,000 tons.

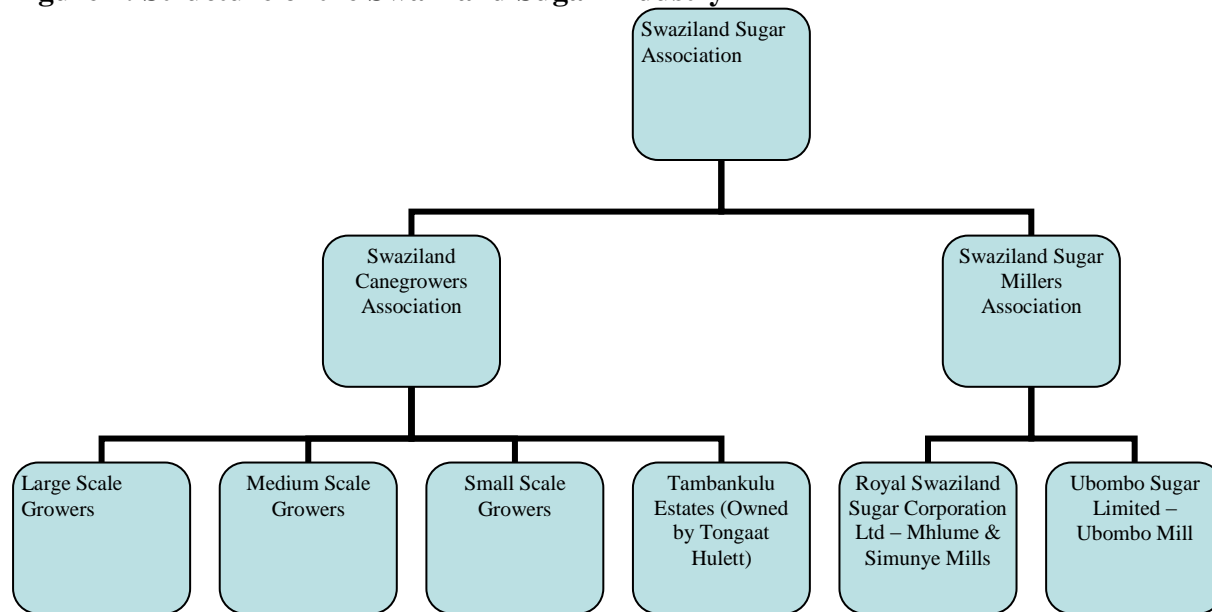
Figure 1: Sugarcane Growing Areas in Swaziland



Source: Swaziland Canegrowers Association

Figure 2 below shows the structure of the Swaziland sugar industry. The Swaziland Sugar Association is the highest decision making authority in the industry on issues of common interest for sugar cane growers and sugar millers. Sugar cane growers and millers are equally represented at the Swaziland Sugar Association. There are three mills in Swaziland owned by Royal Swaziland Sugar Corporation Ltd (Mhlume and Simunye Mills) and Ubombo Sugar Limited (Ubombo Mill). South African based sugar company Tsb co-owns the Royal Swaziland Sugar Corporation Ltd, while Illovo Sugar Ltd owns Ubombo Sugar Limited. These mills are members of the Swaziland Millers Association. The Swaziland Cane Growers Association represents the interest of all growers excluding Swaziland based miller owned estates. It is to be noted that South African-based sugar company Tongaat Hulett owns Tambankulu Estates but does not have a sugar mill in Swaziland.

Figure 2: Structure of the Swaziland Sugar Industry



Source: Swaziland Sugar Association & Swaziland Canegrowers Association

Sugarcane:

Production

Post forecasts that sugar cane production in Swaziland will increase by 5 percent to 5,700,000 MT in the 2018/19 MY, from 5,405,000 MT in the 2017/18 MY. This is due to good rainfall received at the beginning of the year which is a critical period for sugarcane growth, improvements in cane yields, and growth in the area harvested. The 2017/18 MY sugar cane production was revised upwards due to better yields and the recovery from the 2016/17 MY drought conditions. While cane yields have improved in the past two seasons, they are still below the expected yields of at least 100 tons/ hectare that can be achieved under irrigation. There is no commercial sugar beet production in Swaziland.

Table 1 shows the production of sugar cane and cane yields in Swaziland since the 2013/14 MY.

Table 1: The Production of Sugarcane and Cane Yields in Swaziland

| Marketing Year | Cane crushed (MT) | Area Planted (Ha) | Area harvested (Ha) | Cane Yield (MT/Ha) |
|----------------|-------------------|-------------------|---------------------|--------------------|
| 2013/14 | 5,591,830 | 58,979 | 55,478 | 100.8 |
| 2014/15 | 5,639,193 | 59,586 | 56,438 | 99.9 |
| 2015/16 | 5,836,553 | 59,924 | 57,685 | 101.2 |
| 2016/17 | 4,973,571 | 61,073 | 56,420 | 88.2 |
| 2017/18* | 5,405,000 | 62,000 | 57,700 | 93.7 |
| 2018/19** | 5,700,000 | 65,000 | 60,000 | 95.0 |

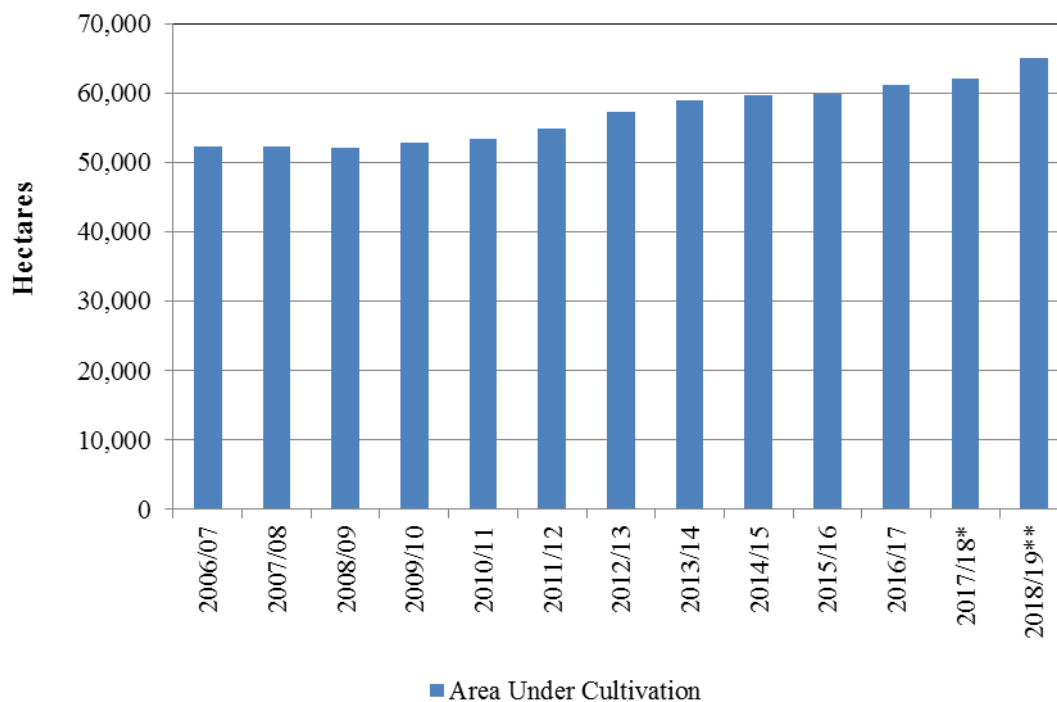
** Forecast, * Estimate.

Source: Post Forecasts

The area under sugarcane cultivation is forecast to increase by 5 percent to 65,000 hectares (ha) in the 2018/19 MY, from 62,000 ha in the 2017/18 MY, based on the growers capability to undertake widespread replanting following their recovery from the 2016 drought. However, over the past 10 years since the 2006/07 MY, the Swaziland area under sugarcane cultivation has only been growing marginally at below 2 percent per annum due to the decreasing returns from sugar cane farming relative to other competing commodities, and increases in the cost of sugarcane production such electricity.

Figure 3 shows the area planted to sugarcane in Swaziland since the 2006/07 MY.

Figure 3: Area Planted to Sugarcane in Swaziland



** Forecast, * Estimate.

Source: Swaziland Sugar Association

Table 2: PS&D for Sugarcane

| Sugar Cane for Centrifugal Market Begin Year | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2016 | | Apr 2017 | | Apr 2018 | |
| Swaziland | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 61 | 61 | 62 | 62 | 0 | 65 |
| Area Harvested | 56 | 56 | 57 | 58 | 0 | 60 |
| Production | 4974 | 4974 | 5200 | 5405 | 0 | 5700 |
| Total Supply | 4974 | 4974 | 5200 | 5405 | 0 | 5700 |
| Utilization for Sugar | 4974 | 4974 | 5200 | 5405 | 0 | 5700 |
| Utilization for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization | 4974 | 4974 | 5200 | 5405 | 0 | 5700 |
| | | | | | | |

(1000 HA) ,(1000 MT)

Sugar:

Production

Post forecasts that the Swaziland sugar production will increase by 6 percent to 690,000 MT in the 2018/19 MY, from 650,125 MT in the 2017/18 MY, based on an increase in sugar cane delivered to the sugar mills, better quality of sugar cane, and improved factory recoveries at the mills. The 2017/18 MY sugar production was revised upwards to 650,125 MT based on higher than expected sugar cane delivered to the mills for crushing. **Table 3** shows that the factory recoveries improved to 12.11 percent in the 2018/19 MY, from 12.03 percent in the 2017/18 MY.

Table 3: Sugar Production and Factory Recoveries

| Season | Cane crushed (MT) | Sugar produced (MT) | Sugar/ Cane Ratio (Percentage) |
|-----------|-------------------|---------------------|--------------------------------|
| 2013/14 | 5,591,830 | 653,337 | 11.68 |
| 2014/15 | 5,639,193 | 686,778 | 12.18 |
| 2015/16 | 5,836,553 | 695,408 | 11.91 |
| 2016/17 | 4,973,571 | 587,004 | 11.80 |
| 2017/18* | 5,405,000 | 650,125 | 12.03 |
| 2018/19** | 5,700,000 | 690,000 | 12.11 |

** Forecast, * Estimate.

Source: Swaziland Sugar Association

Consumption

Swaziland's local sugar consumption is forecast to grow by 3 percent to 53,000 MT in the 2018/19 MY, from 52,000 MT in the 2017/18 MY, based on an increase in population, economic growth (averaging 3 percent) and strong demand from the food and beverage manufacturers who use sugar as one of their main ingredients. The main food and beverage manufacturers that utilize sugar in Swaziland are Bromor Foods, Cadbury Swaziland, Ngwane Mills, Parmalat Swaziland, Swaziland Fruit Canners – Swazican, and to a limited extent, the Coca Cola concentrate manufacturing plant. The Swaziland Sugar Association is responsible for selling all the raw and refined sugar produced in Swaziland on behalf of the growers and millers.

The per capita consumption of sugar in Swaziland is estimated at 35 kg/ annum, which is higher than the regional average per capita consumption. The impact of artificial and alternative sweeteners on sugar is believed to be insignificant and has not raised any concern to the industry at this stage. The wholesale price of white sugar is about SZL9,825/MT (US\$ 819/MT). The retail price of sugar is based on the pre-packers and retailer private agreement or negotiations, and ranges from about SZL14 (US\$1.16) to SZL18 (US\$1.50) per kilogram.

Trade:

Exports

Post forecasts that Swaziland's sugar exports will increase by 35 percent to 710,000 MT in the 2018/19 MY, from 525,000 MT in the 2017/18 MY, based on an increase in sugar production and large available stocks. The 2017/18 MY exports were revised downwards due to lower sales in the European Union (EU) and South African Customs Union (SACU). The SACU members include South Africa, Swaziland, Lesotho, Botswana and Namibia.

The Swaziland Sugar Association is responsible for exporting all the raw sugar produced in Swaziland. The SACU is the most important market for the Swaziland sugar industry, accounting for between 45 – 70 percent of the Swaziland sugar sales. Swaziland benefits from duty free access to the United States under the Tariff Rate Quota (TRQ) allocation. It is forecast that Swaziland will fully utilize its 2018/19 MY quota as the United States remains a premium market. Exports to the EU are expected to decrease significantly as the returns and prices in this market would be less favorable following the changes in the EU's domestic sugar policies. Swaziland is expected to diversify its exports to regional markets such as East Africa. **Table 4** shows the Swaziland sugar sales to various markets.

Table 4: Swaziland Sugar Exports and Sales

| Period | SACU Market (Including Swaziland) | Regional Market | EU Market | US A | World Market | TOTAL SALES |
|----------|-----------------------------------|-----------------|-----------|--------|--------------|----------------|
| 2005/06 | 316,455 | 138,256 | 152,201 | 27,756 | 1,999 | 636,667 |
| 2006/07 | 318,202 | 121,771 | 153,251 | 19,813 | 25,000 | 638,037 |
| 2007/08 | 307,232 | 90,352 | 188,220 | 15,935 | 25,000 | 626,739 |
| 2008/09 | 319,716 | 99,554 | 182,897 | 16,123 | - | 618,290 |
| 2009/10 | 321,783 | 25,638 | 247,692 | - | - | 595,113 |
| 2010/11 | 309,483 | 28,518 | 280,201 | 25,518 | - | 643,720 |
| 2011/12 | 309,911 | 80 | 314,830 | - | - | 624,821 |
| 2012/13 | 303,204 | - | 363,637 | - | - | 666,841 |
| 2013/14 | 307,918 | - | 339,250 | - | - | 647,168 |
| 2014/15 | 372,452 | 14,160 | 269,635 | 34,000 | - | 690,247 |
| 2015/16 | 400,081 | 33,100 | 238,618 | 28,219 | - | 700,018 |
| 2016/17 | 393,919 | 12,352 | 211,918 | 19,623 | - | 637,812 |
| 2017/18* | 344,590 | 71,160 | 137,525 | 23,271 | - | 576,546 |
| 2018/19 | 420,000 | 170,000 | 100,000 | 23,000 | 50,000 | 763,000 |

| | | | | | | |
|-----|--|--|--|----|--|--|
| 9** | | | | 00 | | |
|-----|--|--|--|----|--|--|

** Forecast, * Estimate.

Source: Swaziland Sugar Association

Imports

Swaziland sugar imports are forecast to remain flat at 15,000 MT in the 2018/19 MY, based on the large available sugar stocks and an increase in production which will be sufficient to meet domestic demand. However, opportunistic imports from Brazil are expected to remain, and minimal imports from South Africa are expected to continue under the SADC sugar quota.

Export and import data used for the Swaziland sugar report is based on industry data, as up to date Global Trade Atlas (GTA) data for Swaziland trade is not available and is still undergoing frequent adjustments following the changes in the reporting of SACU sales separately since 2015.

Stocks

Post forecasts that closing stocks will decrease to 40,000 MT in the 2018/19 MY, from 99,000 MT in the 2017/18 MY, based on the increase in exports. The Swaziland Sugar Association owns the closing stocks of unsold sugar at the end of the season. Stocks held by retailers, wholesalers and pre-packers are considered sold at the end of the season. Large closing stocks of above 40,000 MT pose a challenge to the industry as the Swaziland Sugar Association has to pay storage fees for such sugar, and compensate millers and growers as all the sugar is considered sold at the end of the season.

Table 5: PS&D for Sugar

| Sugar, Centrifugal Market Begin Year Swaziland | 2016/2017 | | 2017/2018 | | 2018/2019 | |
|--|---------------|------------|---------------|------------|---------------|------------|
| | April-16 | | April 17 | | April-18 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 22 | 22 | 12 | 12 | 0 | 99 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 587 | 587 | 606 | 650 | 0 | 690 |
| Total Sugar Production | 587 | 587 | 606 | 650 | 0 | 690 |
| Raw Imports | 15 | 42 | 20 | 15 | 0 | 15 |
| Refined Imp.(Raw Val) | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Imports | 15 | 42 | 20 | 15 | 0 | 15 |
| Total Supply | 624 | 651 | 638 | 677 | 0 | 804 |
| Raw Exports | 360 | 363 | 365 | 366 | 0 | 480 |
| Refined Exp.(Raw Val) | 200 | 224 | 205 | 159 | 0 | 230 |
| Total Exports | 560 | 587 | 570 | 525 | 0 | 710 |
| Human Dom. Consumption | 51 | 51 | 52 | 52 | 0 | 53 |
| Other Disappearance | 1 | 1 | 1 | 1 | 0 | 1 |
| Total Use | 52 | 52 | 53 | 53 | 0 | 54 |
| Ending Stocks | 12 | 12 | 15 | 99 | 0 | 40 |
| Total Distribution | 624 | 651 | 638 | 677 | 0 | 804 |
| | | | | | | |

(1000 MT)

Policy and Regulations:

Electricity Co-generation

The Swaziland sugar industry uses bagasse to generate electricity which is fed back to the sugar mills during peak production periods. None of the electricity generated from the sugar mills is supplied to the national electricity grid due to the absence of appropriate incentives and policy by the government or state controlled Swaziland Electricity Company.

Ethanol Production

There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in Swaziland. However, one of the sugar mills and an independent distiller produce beverage grade ethanol, and feints (used for the manufacturing of methylated spirit). These products are generally classified as by-products or backend products as they utilize molasses produced after the sugar production.

Sugar Marketing and Sales

The Swaziland Sugar Association is responsible for the marketing of all the sugar (both raw and refined) produced in Swaziland. The revenue obtained through the sale of sugar and molasses is shared between growers and millers based on an agreed process and formula guided by the Sugar Act of 1967 and Swaziland Sugar Agreement. The Swaziland Sugar Association provides a rebate (discount) for value adding industries located within Swaziland to encourage and support domestic sugar sales.

United States Sugar Tariff Rate Quota Allocation

The United States allows preferential access for Swaziland sugar under the Tariff Rate Quota (TRQ) program. The total TRQ and re-allocations offered to Swaziland average about 23,000 MT annually, and Swaziland usually utilizes its full quota as the U.S. market remains attractive as compared to other markets such as the EU which has lower prices. Post forecasts that Swaziland will fully utilize its allocated TRQ in the 2018/19 MY.

European Union

The European Union (EU) has historically been an important market for the Swaziland sugar industry, accounting for between 24 – 55 percent of the Swaziland sugar sales. However, the changes in the EU domestic sugar policy have resulted in low sugar prices and returns from this market. As a result, Swaziland exports to the EU are expected to significantly decline over time. Swaziland and the EU have a free trade agreement, under the EU/SADC Economic Partnership Agreements (EPA) which was initialed in 2014 and implemented in 2016.

Customs Import Duties

Table 6 below presents the Swaziland sugar customs duties as of March 12, 2018. The rate of duty is currently 213.1 c/kg (US\$0.18/kg).

Table 6: Customs Duties

| Heading / Subheading | C D | Article Description | Statistical 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 | 213.1 | 213.1 | 213.1 | 213.1 | 213.1 |
| 1701.13 | 9 | Cane sugar | Kg | 213.1 | 213.1 | 213.1 | 213.1 | 213.1 |
| 1701.14 | 5 | Other cane sugar | Kg | 213.1 | 213.1 | 213.1 | 213.1 | 213.1 |
| 1701.9 | | Other: | | | | | | |
| 1701.91 | 2 | Containing added flavoring or coloring matter | Kg | 213.1 | 213.1 | 213.1 | 213.1 | 213.1 |
| 1701.99 | 3 | Other | Kg | 213.1 | 213.1 | 213.1 | 213.1 | 213.1 |

Source: South African Revenue Service.