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Global Agricultural Information Network

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POLICY

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Zimbabwe

Sugar Annual

The supply and demand for sugar in Zimbabwe

Approved By:

Justina Torry

Prepared By:

Wellington Sikuka

Report Highlights:

Post forecasts that sugar cane production in Zimbabwe will increase by three percent to 3.6 Million MT in the 2017/18 MY, based on normal weather conditions and higher cane yields as the industry recovers from the drought. Above normal summer rainfall was received from December 2016 to April 2017. This will result in a four percent increase in sugar production to 470,000 MT in the 2017/18 MY. Post forecasts that Zimbabwe will be able to utilize the United States Tariff Rate Quota (TRQ) allocation for the 2017/18 MY based on the production forecast, available sugar stocks and assumption that the TRQ will remain economically viable.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Executive Summary

Post forecasts that sugar cane production in Zimbabwe will increase by three percent to 3.6 Million MT in the 2017/18 MY, from 3.5 Million MT in the 2016/17 MY, based on normal weather conditions and higher cane yields as the industry recovers from the drought following the above normal summer rainfall received from December 2016 to April 2017. The increase was partially offset by limited replanting of sugar cane during the dry period up to November 2016.

Post forecasts that sugar production in Zimbabwe will increase by four percent to 470,000 MT in the 2017/18 MY, from 453,000 MT in the 2016/17 MY, based on the increase in sugar cane delivered to the mills for crushing and the good quality of the cane resulting in good factory recoveries.

Post forecasts that Zimbabwe sugar exports will significantly increase to 165,000 MT in the 2017/18 MY, from 134,000 MT in the 2016/17 MY, based on the increase in sugar production and the high stocks available. Sugar imports will decrease by five percent to 33,000 MT in the 2017/18 MY, from 34,642 MT in the 2016/17 MY, based on the adequate sugar supply in the domestic market and the only imports will be from the SADC region suppliers who enjoy duty free access into the Zimbabwe market.

Post forecasts that sugar consumption in Zimbabwe will remain flat at 343,000 MT in the 2017/18 MY, due to the prevailing difficult economic conditions, namely, the high levels of unemployment, liquidity challenges and low disposable income.

Sources:Tongaat Hulett - www.tongaat.com

Zimbabwe Sugar Association

MT – Metric Tons

MY – Marketing Year (April to March)

Background

Sugar cane in Zimbabwe is grown under full irrigation mainly in the lowveld area of Triangle, Chiredzi District, in the Masvingo Province, located South-East of the country as shown in **Figure 1** below. About 80% of Zimbabwe's sugar cane crop is produced by two large estates, namely, the Triangle Sugar Estate and Hippo Valley Estate. Private farmers including large scale farmers and newly resettled farmers, produce about 20 percent of the country's sugar cane crop. South African sugar company, Tongaat-Hulett owns 100% of the Triangle Sugar Estate and about 50.3% of the Hippo Valley Estate. Hippo Valley Estate is a public listed company on the Zimbabwe Stock Exchange and other shareholders include Tate & Lyle and the British agro-Company.

There are only two sugar mills in Zimbabwe, the Hippo Valley Estates Ltd and Triangle Estates Ltd, with a combined sugar production capacity of about 640,000 MT and installed milling capacity of 4.8 Million MT of sugar cane per annum. Currently, Zimbabwe has two sugar refineries, namely, the Triangle Sugar Refinery which is a back end refinery and an independent sugar refinery called Star Africa Sugar Refinery Ltd.

Figure 1: Location of the sugar mills in Zimbabwe



Source: Tongaat Hulett

Sugar cane:

Production

Post forecasts that sugar cane production in Zimbabwe will increase by three percent to 3.6 Million MT in the 2017/18 MY, from 3.5 Million MT in the 2016/17 MY, based on normal weather conditions and higher cane yields as the industry recovers from the drought following the above normal summer rainfall received from December 2016 to April 2017. The increase was partially offset by limited replanting of sugar cane during the dry period up to November 2016. The water levels for the three dams (Mutirikwi-Tokwe; Manjirenji-Siya; and Manyuchi) which supply irrigation water to sugar farms are higher than the previous season's dam levels and are currently estimated at between 71 – 102% as April 28, 2017. The 2016/17 MY sugar cane production was revised upwards to 3.483 Million MT, based on final industry data and higher than expected sugar cane production. The 2015/16 MY sugar cane production remains unchanged at 3.348 Million MT based on final industry data at the back of the drought conditions in that season.

Post forecasts that the area of cane harvested in Zimbabwe will increase by one percent to 44,000 hectares (ha) in the 2017/18 MY, from 43,500 ha in the 2016/17 MY due to the availability of irrigation water and the industry initiated Agricultural Improvement Plan which is expected to result in significant increases in area planted, especially in the 2018/19 MY. The 2015/16 MY area harvested remains unchanged at 43,094 ha based on final industry data. **Table 1** below summarizes the production of sugar cane and sugar in Zimbabwe from the 2014/15 MY to the 2017/18 MY.

Table 1: The production of sugar cane and sugar in Zimbabwe

| Marketing Year | Area harvested (ha) | Cane crushed (MT) | Yield (MT/ha) | Sugar production (MT) | Cane/sugar ratio |
|----------------|---------------------|-------------------|---------------|-----------------------|------------------|
| 2014/15 | 43,121 | 3,856,000 | 89.4 | 445,000 | 8.7 |
| 2015/16 | 43,094 | 3,348,000 | 77.7 | 412,000 | 8.1 |
| 2016/17* | 43,500 | 3,483,000 | 80.1 | 453,000 | 7.7 |
| 2017/18** | 44,000 | 3,600,000 | 81.8 | 470,000 | 7.7 |

**Forecast, *Estimate. Sources: Zimbabwe Sugar Association & Tongaat Hulett

Table 2: PSD Table for sugar cane

| Sugar Cane for Centrifugal Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Apr 2015 | | Apr 2016 | | Apr 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Zimbabwe | | | | | | |
| Area Planted | 44 | 44 | 44 | 46 | 0 | 47 |
| Area Harvested | 43 | 43 | 42 | 44 | 0 | 44 |
| Production | 3348 | 3348 | 3180 | 3483 | 0 | 3600 |
| Total Supply | 3348 | 3348 | 3180 | 3483 | 0 | 3600 |
| Utilization for Sugar | 3348 | 3348 | 3180 | 3483 | 0 | 3600 |
| Utilizatn for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Utilization | 3348 | 3348 | 3180 | 3483 | 0 | 3600 |
| | | | | | | |
| | | | | | | |

(1000 HA) ,(1000 MT)

| | | | | | | | | | |
|--------------|----------------|----------|----------------|----------------|---------------|----------------|----------------|---------------|----------------|
| USA | 23,980 | 0 | 23,890 | 12,106 | - | 12,106 | 14,717 | | 14,717 |
| EU | 183,160 | 0 | 183,160 | 126,061 | 6,347 | 132,408 | 87,000 | 5,000 | 92,000 |
| Botswana | 0 | 0 | 0 | 9,801 | 6,347 | 16,148 | 4,949 | 5,000 | 9,949 |
| Kenya | | | | | | | 16,383 | | 16,383 |
| South Africa | | | | | | | 1,069 | | 1,069 |
| Total | 207,140 | 0 | 207,140 | 147,968 | 12,694 | 160,662 | 124,117 | 10,000 | 134,117 |

Source: Zimbabwe Sugar Association

Imports

Post forecasts that sugar imports will decrease by about five percent to 33,000 MT in the 2017/18 MY, from 34,642 MT in the 2016/17 MY, based on the adequate sugar supply in the domestic market, and the only imports will be from the SADC region suppliers who enjoy duty free access into the Zimbabwe market. In addition, the drive by the industry to address the sugar refining quality issues and an increase in the local manufacture of bottler grade industrial white sugar will result in lower imports. The 2015/16 MY sugar imports remain unchanged at 38,028 MT based on final industry data. Tariffs on sugar imports introduced by the Zimbabwean government in 2014 to protect the domestic industry have resulted in the gradual decrease in sugar imports. **Table 4** below shows the breakdown of sugar imports from various countries.

Table 4: Zimbabwe sugar imports

| | 2014/15 MY | | | 2015/16 MY | | | 2016/17 MY | | |
|--------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|
| | Raw Sugar (MT) | Refined Sugar (MT) | Total Imports (MT) | Raw Sugar (MT) | Refined Sugar (MT) | Total Imports (MT) | Raw Sugar (MT) | Refined Sugar (MT) | Total Imports (MT) |
| South Africa | 7,784 | 26,921 | 34,705 | 260 | 18,226 | 18,486 | 260 | 0 | 260 |
| Swaziland | 0 | 346 | 346 | 0 | 7,517 | 7,517 | 0 | 0 | 0 |
| Malawi | 0 | 0 | 0 | 6,510 | 180 | 6,690 | 6,510 | 0 | 6,510 |
| India | 393 | 0 | 393 | 5,207 | 0 | 5,207 | 5,207 | 0 | 5,207 |
| Zambia | 1,882 | 28 | 1,910 | 0 | 128 | 128 | 0 | 0 | 0 |
| Botswana | 240 | 0 | 240 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 3,390 | 0 | 3,390 | 0 | 0 | 0 | 0 | 22,665 | 22,665 |
| Total | 13,689 | 27,295 | 40,984 | 11,977 | 26,051 | 38,028 | 11,977 | 22,665 | 34,642 |

Source: Zimbabwe Sugar Association

Sugar Closing Stocks

Post forecasts that the closing stocks will decrease to 24,000 MT in the 2017/18 MY, from 29,000 MT in the 2016/17 MY, based on the significant increase in exports as the industry returns to normal export volumes and the decrease in imports.

Table 5: PSD Table for sugar

| Sugar, Centrifugal Market Begin Year Zimbabwe | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|---|---------------|----------|---------------|----------|---------------|----------|
| | April 2015 | | April 2016 | | April 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Beginning Stocks | 71 | 71 | 19 | 18 | 0 | 29 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 412 | 412 | 400 | 453 | 0 | 470 |
| Total Sugar Production | 412 | 412 | 400 | 453 | 0 | 470 |
| Raw Imports | 12 | 12 | 12 | 12 | 0 | 11 |
| Refined Imp.(Raw Val) | 26 | 26 | 23 | 23 | 0 | 22 |
| Total Imports | 38 | 38 | 35 | 35 | 0 | 33 |
| Total Supply | 521 | 521 | 454 | 506 | 0 | 532 |
| Raw Exports | 148 | 148 | 100 | 124 | 0 | 150 |
| Refined Exp.(Raw Val) | 12 | 13 | 10 | 10 | 0 | 15 |
| Total Exports | 160 | 161 | 110 | 134 | 0 | 165 |
| Human Dom. Consumption | 342 | 342 | 340 | 343 | 0 | 343 |
| Other Disappearance | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Use | 342 | 342 | 340 | 343 | 0 | 343 |
| Ending Stocks | 19 | 18 | 4 | 29 | 0 | 24 |
| Total Distribution | 521 | 521 | 454 | 506 | 0 | 532 |
| | | | | | | |
| (1000 MT) | | | | | | |

Policies and Regulations:

Vitamin A fortification

The Zimbabwean government passed a regulation for the mandatory Vitamin A fortification of household sugar effective July 1, 2017. This regulation was passed as part of the Zimbabwe National Food Fortification Strategy 2014 - 2018, which is aligned to the National Food and Nutrition Strategy for Zimbabwe that serves as a guideline to both policy and implementation levels to prevent micronutrient deficiencies. [Click here to download the National Food and Nutrition Strategy.](#) The strategy was developed to address the micronutrient deficiency burden in the country as revealed by the 2012 Zimbabwe Micronutrient Survey. According to the survey, 19% of children aged 6 - 59 months are vitamin A deficient, while 72% have iron deficiency, and 31% are anemic, and nearly 1.5 Million working age adults with anemia suffer deficits in work performance.

Customs Duties

In 2014, the Zimbabwe government passed a 10% customs duty and \$100/ton surtax on all sugar imports from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) in a bid to protect the local industry from an influx of sugar imports.

Import permits

In 2014, the government also confirmed that no raw sugar import permits would be issued from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). However, this import permit restriction, does not apply to sugar imports intended to satisfy the requirements for bottler grade sugar.

National Indigenization and Economic Empowerment Policy

Zimbabwe is in the process of implementing the National Indigenization and Economic Empowerment Policy, which is widely known for its requirement that government or its designated entities will hold a 51% ownership stake in businesses, with the remaining 49%, belonging to the partnering investor(s). However, following conflicting positions on interpretations of the indigenization policy within the Zimbabwe government and business community, a statement was issued by the President of Zimbabwe on April 12, 2016 to clarify the indigenization policy. [Click here for the link to the statement.](#) The National Indigenization and Economic Empowerment policy distinguishes three economic sectors, namely, the Natural Resources Sector, Non-Resources Sector and the Reserved Sector. These sectors are to be approached differently in terms of the implementation and compliance with the indigenization policy. The sugar industry falls within the Non-Resources Sector, which recognizes various measures of compliance such as contribution to the socio-economic transformation of the economy, through value addition of local raw materials; transfer of technology; employment creation; enterprise development; and employee share ownership. Post contacts have indicated that the sugar industry will likely comply with the indigenization policy and that sugar production is unlikely to be negatively impacted. However, uncertainties still remain as the President indicated that government shall, from time to time make changes to the current regulations.