

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Sugar Annual

The report covers supply and demand trends for sugar in South Africa

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Report Highlights:

The impact of the 2014/15 MY drought in the sugar industry is expected to continue in the 2015/16 MY. Post forecasts that the 2015/16 MY sugar cane crop will decrease marginally to 17,7 MMT from the 2014/15 MY sugar cane crop of 17,8 MMT. The 2015/16 MY sugar production of 2.0 MMT is forecasted to be sufficient to meet the domestic demand. South Africa will also have sufficient stocks to export approximately 700,000 MT in the 2015/16 MY.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Executive Summary

Post forecasts that the South African 2015/16 MY sugar cane crop will decrease marginally to 17,7 MMT due to the impact of the 2014/15 MY drought. The 2014/15 MY sugar cane crop was 17,8 MMT. This decrease is forecasted to also result in the decrease in the 2015/16 MY sugar production to 2.0 MMT (2.14 MMTRV), from 2.1 MMT (2.26 MMTRV) in the 2014/15 MY.

Post forecasts that South Africa will have sufficient stocks to export about 700,000 MT (750,000 MTRV) of sugar in the 2015/16 MY, a five percent decrease from the 2014/15 MY exports of 744,000 MT, based on the decrease in sugar production.

Post forecasts that sugar imports for the 2015/16 MY will decrease by eighteen percent to 340,000 MT based on the high import duties levied against non-SACU sugar imports.

Sources

South African Sugar Association	http://www.sasa.org.za
Illovo Sugar Company	http://www.illovo.co.za
Tongaat Hulett Sugar	http://www.huletts.co.za
Tsb	http://www.tsb.co.za
South African Canegrowers	http://www.sacanegrowers.co.za
South African Revenue Services	www.sars.gov.za
Department of Energy	www.energy.gov.za

Exchange Rate

US\$1=R12 (04/13/2015)

MMT – Million metric tons

MMTRV – Million metric tons raw value

MY – Marketing Year (April – March)

Sugar cane**Production**

Post forecasts that the South African sugar cane crop will decrease marginally to 17,7 MMT in the 2015/16 MY, following the low 2014/15 MY sugar cane production of 17,8 MMT as a result of drought in the Kwa-Zulu Natal (KZN) province. The impact of the 2014/15 MY drought conditions is expected

to continue in the 2015/16 MY because of the financial constraints faced by growers which resulted in some growers not fully undertaking proper ratoon management and replanting. However, the widespread rains received before the start of the 2015/16 MY season is expected to keep some roots alive and minimize the impact of the 2015/16 MY drought conditions. Post revised the 2014/15 MY sugar cane production to 17.8 MMT based on final industry data. **Table 1** below illustrates the sugar cane production statistics from the 2012/13 MY to the 2015/16 MY.

Table 1: The production of sugar cane in South Africa

Marketing years	Area planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar production (MT*)	Cane/sugar ratio
2012/13	371,662	271,684	63.6	17,278,020	1,951,518	8.9
2013/14	375,000	285,000	70.2	20,032,969	2,352,878	8.5
2014/15	370,000	270,000	65.8	17,755,537	2,115,463	8.4
2015/16 (Forecast)	360,000	260,000	68.1	17,700,000	2,050,000	8.6

*Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value
 Source: South African Canegrowers

Figure 1 below shows the main sugar cane production areas in South Africa. The Kwa-Zulu Natal Province is largely rain fed production (approximately 95 percent rain fed) with limited irrigated areas, while the Mpumalanga province is all irrigated.

Figure 1: Map of sugar cane production areas



Source: South Africa Sugar Association

Alternative uses for sugar cane in South Africa

Sugar is primarily used for direct human consumption, as well as for industrial purposes as an ingredient. Some sugar mills produce downstream products such as furfuryl alcohol, furfural and industrial alcohol. The South African sugar industry currently also uses bagasse to generate electricity which is largely fed back to the sugar mills. There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in South Africa. On August, 23, 2012, the South African government published regulations regarding the mandatory blending ([Click here for the regulation](#)), and on September 30, 2013, the Minister of Energy announced that the date for the mandatory blending of biofuels with petrol and diesel will be October, 1, 2015 ([Click here for the statement](#)). Post contacts have indicated that while there is a strong interest in biofuels, actual production is anticipated to only commence once government finalizes and passes the government position paper on biofuels. The position paper was published for public comments on January, 15, 2014, and the deadline for public comments was February, 10, 2014. The position paper can be found on the following link; ([Click here for the position paper](#)). There is uncertainty as to when government will finalize this regulation.

Cane prices

In South Africa, the sugar cane price paid to cane growers is determined by the South African Sugar Association (SASA) using a formula called the Division of Proceeds, in accordance to the Sugar Act of 1978 and the Sugar Industry Agreement of 2000. The Division of Proceeds formula aims to ensure that the revenue that accrues to the sugar industry is allocated to millers and growers fairly under a partnership arrangement. The industry notional revenue earned from the domestic sugar and molasses sales, as well as actual export revenue are accounted for by SASA. After the deduction of administration costs, the net proceeds are shared between growers and millers at a predetermined percentage of net proceeds. Cane growers are thus paid for their sugar cane according to the quality of the cane delivered to the mill through this revenue sharing arrangement. Cane quality is measured by the Recoverable Value (RV) formula, which estimates the amount of sugar and molasses that can be produced from a delivery of cane. A provisional Recoverable Value (RV) price is declared monthly to ensure provisional payments to growers during the season.

Table 2 below shows that the final 2014/15 MY Recoverable Value (RV) Price for sugar cane paid to growers was R3,437.97 (US\$286.50). Post forecasts that the 2015/16 MY Recoverable Value (RV) Price will increase by five percent to R3,600.00 (US\$300.00) based on the reduction in the RV tonnage as a result of the decrease in crop. RV prices paid to growers for the past five years are shown in **Table 2** below.

Table 2: Recoverable Value and cane prices

MY (Apr – Mar)	RV Price	Cane Price	Average R/\$ Exchange rate
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	(Rand)	(Rand)	
2011/12	3,017.51	352.38	7.45
2012/13	3,197.32	389.00	8.51
2013/14	3,137.87	355.00	10.12
2014/15 (Estimate)	3,437.97	444.19	11.25
2015/16 (Forecast)	3,600.00	450.00	12.00

Source: South African Canegrowers

Table 3: PS&D for sugar cane

Sugar Cane for Centrifugal Market Begin Year South Africa	2013/2014		2014/2015		2015/2016	
	Apr 2013		Apr 2014		Apr 2016	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	375	375	370	370	0	360
Area Harvested	285	285	280	270	0	260
Production	20,033	20,033	18,200	17,756	0	17,700
Total Supply	20,033	20,033	18,200	17,756	0	17,700
Utilization for Sugar	20,033	20,033	18,200	17,756	0	17,700
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	20,033	20,033	18,200	17,756	0	17,700

1000 HA, 1000 MT

Source: South African Canegrowers data and Post data

Sugar

Production

Post forecasts that the 2015/16 MY sugar production will decrease by five percent to 2.05 MMT (2.19 MMTRV), from the 2014/15 MY sugar production of 2.1MMT (2.26 MMTRV), as a result of the decrease in the sugar cane crop. Post revised the 2014/15 MY sugar production to 2.1MMT (2.26 MMTRV) based on final industry data.

There are six sugar milling companies in South Africa, namely, Tongaat Hullet Sugar, Illovo Sugar, Tsb, Umfolozi Sugar Company, Gledhow Sugar Company and UCL Sugar Company. These six milling companies own a combined total of 14 sugar mills in the Kwa-Zulu Natal Province (12 Mills) and Mpumalanga Province (2 Mills).

Consumption

The South African Customs Union (SACU) is the primary market for the South African sugar industry. Post forecasts that South Africa's 2015/16 MY sugar supply to SACU will be flat at approximately 1.650 MMT (1.766 MTRV), based on the low economic growth forecasts in the region. Post revised downwards the 2014/15 MY sugar sales to 1.649 MMT (1.764 MTRV) based on industry reports that sales performance was lower than expected in the 2014/15 MY. In the 2013/14 MY, the South African sugar industry supplied 1.543 MMT (1.651 MTRV) based on industry data. Swaziland supplied the SACU market with 307,918 MT (329,472MTRV) sugar in the 2013/14 MY, and is estimated to supply 310,000 MT and 320,000MT in the 2014/15 MY and 2015/16 MY, respectively. **Table 4** below contains South African sugar sales into the SACU market from the 2012/13 MY to 2015/16 MY.

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	207.1	207.1	207.1	207.1
1701.13	9	Cane sugar	Kg	207.1	207.1	207.1	207.1
1701.14	5	Other cane sugar	Kg	207.1	207.1	207.1	207.1
1701.9		Other:					
1701.91	2	Containing added flavoring or coloring matter	Kg	207.1	207.1	207.1	207.1
1701.99	3	Other	Kg	207.1	207.1	207.1	207.1

Source: South African Revenue Service.

EU Free Trade Agreement

South Africa could be granted an annual quota of 150,000 tons sugar to export duty free to the European Union under the SADC/EU Economic Partnership Agreement which is still to be finalized and implemented. Industry is still uncertain on the final date of implementation.

United States sugar Tariff Rate Quota (TRQ) allocation

South Africa fully utilized the allocated 24,220 MTRV quota for the 2015 FY. South Africa confirmed that it has the capacity to export to the United States if allocated a quota in the 2015/16 MY.

Amendments to regulation relating to food labelling and advertising

On May 29, 2014, South Africa proposed amendments to the Foodstuffs, Cosmetics and Disinfectants Act (54/1972): Regulations relating to the Labelling and advertising of foods.

<http://www.health.gov.za/docs/legislation/R429of29May2014-draft-FL-Regs.pdf> . Post published a GAIN report on the proposed amendment, [Click here to download the report](#). The proposed regulation amendment has not been finalized, and post contacts have indicated that the volume of comments received was a lot more than anticipated.

Exports

South Africa only exports surplus sugar after supplying the domestic market. Post forecasts that South Africa will have enough stocks to export about 700,000 MTRV (750,000 MT) of sugar in the 2015/16 MY based on the available crop. Post revised the 2014/15 MY exports to , 744,686 MTRV (721,887 MT) based on the updated Global Trade Atlas (GTA) export derived data up to January 2015, and post forecasts for the months of January and February. In the 2013/14 MY, South Africa exported 868,226 MTRV (845,954 MT) of sugar based on GTA export derived data.

The SACU, Indonesia, Japan, Australia, Bangladesh, United States, New Zealand and countries in sub-Saharan Africa are the main markets for South Africa`s raw sugar exports. South Africa`s raw sugar exports are highly sensitive to drought conditions, as witnessed by decreases in raw sugar exports in drought years of the 2012/13 MY and 2014/15 MY. The major market for South Africa`s refined sugar exports is sub-Saharan Africa. Exports of raw sugar and refined sugar are shown in **Table 6** and **Table**

7, respectively. The 2013/14 MY and 2014/15 MY, export trade statistics now includes SACU exports as per Global Trade Atlas (GTA) data.

Table 6: Export Trade Statistics – Raw Sugar

South Africa Export Statistics				
Commodity: Sugar Raw, Raw Sugar Codes (HS170111, 170112, 170113, 170114)				
Year Ending March				
Partner Country	Unit	Quantity		
		TOTAL 2012/13	TOTAL 2013/14	TOTAL 2014/15*
World	T	126,992	527,784	396,191
Namibia	T	2,009	33,321	83,983
Botswana	T	0	14,997	21,158
Lesotho	T	0	7,377	14,002
Mozambique	T	9,842	20,472	17,261
Swaziland	T	170	123	260
Israel	T	946	1,354	597
St. Helena	T	55	38	27
India	T	0	17,850	0
Indonesia	T	36,000	197,297	20,000
Japan	T	30,000	121,000	30,000
Kenya	T	40	275	37
Angola	T	1,022	1,565	65
Australia	T	0	28,200	26,012
Bangladesh	T	0	0	73,650
Malaysia	T	0	0	27,550
New Zealand	T	30	26,200	0
Romania	T	0	0	8,800
Rwanda	T	0	1,000	0
Uganda	T	0	2,500	1
United States	T	23,216	0	46,410
Yemen	T	33	10	4,283
Zambia	T	1,584	102	81
Zimbabwe	T	20,775	46,980	1,902

* 04/2014 - 01/2015

Source: Global Trade Atlas (GTA)

Table 7: Export Trade Statistics – Refined Sugar

South Africa Export Statistics				
Commodity: Refined Sugar (HS170199, 170191)				
Year Ending March				

Partner Country	Unit	Quantity		
		TOTAL 2012/13	TOTAL 2013/14	TOTAL 2014/15*
World	T	213,775	318,170	325,696
Kenya	T	6,463	10,826	17,421
Botswana	T	34	16,521	32,876
Zimbabwe	T	36,959	57,485	40,802
Angola	T	43,215	42,237	39,109
Mozambique	T	58,600	95,698	98,958
Tanzania	T	9	16,943	2,609
Madagascar	T	25,973	20,642	14,229
Uganda	T	13,750	10,101	7,465
Congo Dem. Rep.	T	4,414	4,040	5,908
Comoros	T	3,492	3,406	3,038
Lesotho	T	0	1,341	5,209
Namibia	T	4,341	2,606	3,983
Rwanda	T	0	5,025	750
Ghana	T	1,637	4,820	6,153
Mayotte	T	1,416	2,234	1,972
Seychelles	T	302	233	926
Malawi	T	11	16	63
Senegal	T	0	120	475
United States	T	98	128	167
Swaziland	T	0	21	98
Zambia	T	573	1,132	98
Spain	T	24	3,024	0
Sudan	T	8,199	11,080	0
Saudi Arabia	T	0	4,000	0
Benin	T	400	0	1,025
Equatorial Guinea	T	750	1,125	375
Burundi	T	0	2,800	500

* 04/2014 - 01/2015; **Refined x 1.07 = Raw value

Source: GTA

Imports

Post forecasts that the 2015/16 MY imports will decrease by eighteen percent to 340,000 MT based on the weak rand exchange rate, and the increases in sugar customs duty for non- SACU imports. Post

revised the 2014/15 MY imports to 417,310 MTRV based on the latest GTA derived import data and post forecasts for the months of February and March 2015. South Africa's sugar import figures remain high due to the inclusion of the SACU trade statistics. Imports from Swaziland accounted for 63 percent of the total South African sugar imports. The impact of increasing the Dollar Based Reference Price and the customs duties on sugar has been significant, as imports from Brazil are estimated to decrease by 81 percent from 435,572 MTRV in 2013/14 MY to 82,540 MTRV in 2014/15 MY. The 2013/14 MY and 2014/15 MY, import trade statistics now include SACU imports as per GTA data.

Table 8: Import Trade Statistics – Raw Sugar

South Africa Import Statistics				
Commodity: Sugar Raw, Raw Sugar Codes (HS170111, 170112, 170113, 170114)				
Year Ending March				
Partner Country	Unit	Quantity		
		TOTAL 2012/13	TOTAL 2013/14	TOTAL 2014/15*
World	T	43,117	207,794	326,823
Swaziland	T	0	100,743	243,399
Brazil	T	40,674	98,053	22,754
India	T	264	2,478	1,604
Namibia	T	0	268	393
Netherlands	T	9	16	8
Belgium	T	27	8	9
Other Countries NES	T	0	416	814
Mauritius	T	44	66	44
Germany	T	48	71	91
Guatemala	T	0	0	1,250
Thailand	T	2,000	5,658	6,406

* 04/2014 - 01/2015

Source: GTA

Table 9: Import Trade Statistics – Refined Sugar

South Africa Import Statistics		
Commodity: Refined Sugar (HS170199, 170191)		
Year Ending March		
Partner Country	Unit	Quantity

		TOTAL 2012/13	TOTAL 2013/14	TOTAL 2014/15*
World	T	163,964	365,400	84,567
Brazil	T	146,412	315,438	55,875
Swaziland	T	0	10,030	20,039
India	T	4,204	4,640	1,676
Netherlands	T	3	135	184
Botswana	T	0	82	110
United Kingdom	T	90	135	85
United States	T	664	4	11
Thailand	T	9,315	3,979	409
United Arab Emirates	T	271	2,097	0
Tanzania	T	0	750	0
Pakistan	T	0	125	130
Spain	T	0	130	0
Belgium	T	30	43	13
Finland	T	2,684	0	0
France	T	25	1	4
Guatemala	T	0	27,500	0
Hong Kong	T	254	2	3

* 04/2012 - 01/2015; **Refined x 1.07 = Raw value

Source: GTA

Stocks

Post forecasts that 2015/16 MY ending stocks of sugar will decrease to 129,000 MT, based on the reduction in sugar production, flat domestic consumption and decreases in imports. South Africa's ending stock levels were revised upwards to 344,000 MT in the 2014/15 MY based on the worse than expected industry sales, and the impact of high imports prior to the increase in customs duties.

Table 10: PS&D for sugar

Sugar, Centrifugal Market Begin Year South Africa	2013/2014		2014/2015		2015/2016	
	May 2013		May 2014		May 2016	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	189	189	460	460	0	344
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2,435	2,435	2,200	2,116	0	2,050
Total Sugar Production	2,435	2,435	2,200	2,116	0	2,050

Raw Imports	208	208	270	327	0	300
Refined Imp.(Raw Val)	391	391	50	90	0	40
Total Imports	599	599	320	417	0	340
Total Supply	3,223	3,223	2,980	2,993	0	2,734
Raw Exports	528	528	450	396	0	350
Refined Exp.(Raw Val)	340	340	350	348	0	350
Total Exports	868	868	800	744	0	700
Human Dom. Consumption	1,890	1,890	1,930	1,900	0	1,900
Other Disappearance	5	5	5	5	0	5
Total Use	1,895	1,895	1,935	1,905	0	1,905
Ending Stocks	460	460	245	344	0	129
Total Distribution	3,223	3,223	2,980	2,993	0	2,734
1000 MT						