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Swaziland

Sugar Annual

The supply and demand of sugar in Swaziland

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Report Highlights:
With the recently successful conclusion of the Economic Partnership Agreement negotiations with the European Union (EU), Swaziland maintained its preferential market access to Europe. As a result, post expects that Swaziland sugar exports to the EU could increase by ten percent to 390,000 MT in the 2015/16 MY. Post forecasts that sugar production will increase to record 705,000 MT (729,675 MTRV), on a four percent increase in sugar cane production, due to more land being utilized for sugar cultivation.

Executive Summary

Post forecasts that the area under sugar cane cultivation in Swaziland will increase by three percent to 61,500 hectares in the 2015/16 MY. This could under normal climatic conditions result in a sugar cane crop of 5.9 MMT and sugar production of 705,000 MT (729,675 MTRV). In the 2014/15 MY, Swaziland produced 5.6 MMT of sugar cane, which resulted in sugar production of 680,881 MT (704,712 MTRV).

The recently successful concluded Economic Partnership Agreement (EPA) negotiations between the European Union (EU) and Southern Africa Development Community (SADC) EPA States, means Swaziland can continue to sell sugar on a duty-free and quota-free basis to the EU. The Swaziland sugar industry sells about 50 percent of its production to the EU.

Post expects that Swaziland's sugar exports to the EU could increase by about ten percent to 390,000 MT in the 2015/16 MY, due to an increase in sugar production and the new EPA. In the 2014/15 MY, Swaziland exported about 355,000 MT of sugar to the EU, five percent more than the 339,250 MT exported in the 2013/14 MY.

The United States also allows preferential access for Swaziland sugar under its Tariff Rate Quota. In the 2014/15 MY, Swaziland exported 34,000 MT of sugar to the United States under the Tariff Rate Quota.

Sources:

http://www.ssa.co.sz
http://www.illovo.co.za
http://www.huletts.co.za

US$1= R12.10 = E12.10 (04/13/2015)

Sugar cane

Production

For the 2015/16 MY, post forecasts that the area under sugar cane cultivation in Swaziland will increase by three percent to 61,500 hectares as the recently concluded Economic Partnership Agreement (EPA) negotiations with the European Union (EU) allows Swaziland to maintain preferential (duty-free, quota-free) market access to the EU. This will under normal climatic conditions result in a sugar cane crop of 5.9 MMT. In the 2014/15 MY, Swaziland produced 5.6 MMT of sugar cane, seven percent less than post's previous estimate of 6.0 MMT, due to a lower area harvested and a lower yield per hectare. The 2013/14 MY sugar cane crop of 5.6 MMT is also marginally less than post previous estimate. Table 1 illustrates the production of sugar in Swaziland for 2013/14 MY (actual), 2014/15 MY (estimate) and 2015/16 MY (forecast).

Table 1: The production of sugar in Swaziland from the 2013/14 season

Season	Area Planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar produced (MT*)	Cane/sugar ratio
2013/14	58,979	55,478	100.8	5,591,830	653,337	8.6
2014/15	59,586	56,438	99.9	5,639,193	680,881	8.3
2015/16	61,500	58,500	100.0	5,850,000	705,000	8.3

*****Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value

The structure of the industry

Sugar production is Swaziland's biggest industry. Swaziland is also Africa's fourth largest producer of sugar (after South Africa, Egypt and Sudan) and 25th largest in the world. Sugar production accounts for almost 60 percent of agricultural output, 35 percent of agricultural wage employment, and contributes about 18 percent to Swaziland's Gross Domestic Product. All sugar cane in Swaziland is grown under irrigation, achieving average yields of above 100 metric tons of cane per hectare.

The sugar industry in Swaziland consists of four components, namely, large millers and estates (77 percent of production); large growers (17 percent of production), medium size growers (5 percent of production) and small growers (1 percent of production). While accounting for a smaller volume of total production, the largest number of growers falls under the category of medium and small growers. South Africa's three biggest sugar companies, Illovo Sugar Ltd, Tongaat Hulett Sugar Ltd, and Tsb Sugar RSA Ltd are involved in the Swaziland sugar industry through their co-ownerships in production estates and mills. Swaziland has three sugar mills, namely, Mhlume, Simunye and Ubombo with a combined annual production capacity in excess of 800,000 tons. Sugarcane growing in Swaziland is only permissible through a quota issued by the Sugar Industry Quota Board.

Sugarcane growers and millers are, respectively, represented by the Swaziland Cane Growers Association and the Swaziland Sugar Millers Association. The interests of the different industry players are reconciled within the framework of the Swaziland Sugar Association. The Swaziland Sugar Association was formed in 1964 and is govern by the Sugar Act of 1967. The Swaziland Sugar

Association is responsible for providing the services necessary for the general development of the industry and the marketing of Swaziland's sugar.

The Swaziland Cane Growers Association and the Swaziland Sugar Millers Association are equally represented on the Swaziland Sugar Association's Council, the highest policy making body in the sugar industry. The Council is chaired by an independent person, who has no interest in the growing, milling, and marketing of sugar.

Table 2: PS&D for sugar cane

Sugar Cane for Centrifugal	2013/2014		2014/2015		2015/2016	
Market Begin Year	Apr 2014		Apr 2015		Apr 2016	
Swaziland	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	59	59	61	60	0	62
Area Harvested	56	55	58	56	0	59
Production	5,640	5,592	6,000	5,639	0	5,850
Total Supply	5,640	5,592	6,000	5,639	0	5,850
Utilization for Sugar	5,640	5,592	6,000	5,639	0	5,850
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	5,640	5,592	6,000	5,639	0	5,850
1000 HA, 1000 MT						

Sugar

Production

In the 2014/15 MY, Swaziland produced a record of 680,881 MT (704,712 MTRV) of sugar, due to improved cane to sugar yields. However, the 2014/15 MY sugar production was still six percent lower than post's forecast of 725,000 MT (750,375 MTRV), due to a smaller area harvested and a lower sugar cane yield per hectare. Post forecasts that sugar production in the 2015/16 MY could increase to another record of 705,000 MT (729,675 MTRV), on an four percent increase in sugar cane production, due to more land being utilized for sugar cultivation. In the 2013/14 MY, Swaziland produced 653,337 MT (676,204 MTRV) of sugar. Post's previous estimate for the 2013/14 MY was 679,934 MT (703,732 MTRV),

Consumption

The South African Customs Union (SACU) is an important market for the Swaziland sugar industry. The SACU market comprises South Africa, Botswana, Lesotho, Namibia and Swaziland. Access to the market is regulated by the Southern African Development Community Sugar Cooperation Agreement. South Africa and Swaziland are the only two sugar producing countries in SACU. The region's sugar demand is estimated at approximately 2.2 MMT (2.3 MTRV) or 37kg per capita. In the 2013/14 MY, Swaziland supplied 307,918 tons (318,695 MTRV) to the SACU market. Post estimates are that Swaziland supplied about 310,000 MT (320,850 MTRV) of sugar to the SACU market in the 2014/15 MY. Post expects that Swaziland's sugar supply to the SACU market in the 2015/16 MY will increase only marginal to 320,000 MT (331,200 MTRV), as most of the increase in sugar production will be directed to the export market.

Trade

The Swaziland Sugar Association is responsible for all sales and marketing of sugar produced in Swaziland. The main export market for Swaziland's sugar is the European Union (EU), under the Economic Partnership Agreements (EPA). The recently concluded Economic Partnership Agreement (EPA) negotiations between the European Union (EU) and SADC EPA States means Swaziland can continue to sell sugar on a duty-free and quota-free basis to the EU. The Swaziland sugar industry sells about 50 percent of its production to the EU.

However, there had been a lot of anxiety on the possible trade interruption from October 2014 as the negotiations were dragging on. This was finally settled in July 2014, when the EPA was initialed by the parties and, subsequently, the European Commission (through a delegated Act) issued an instrument confirming Swaziland's continued preferential status post-September 2014. This has now opened an opportunity for the Swaziland Sugar Association to conclude on-going contract negotiations and to pursue new contracts with EU customers on firmer ground.

The United States also allows preferential access for Swaziland sugar under its Tariff Rate Quota. In the 2014/15 MY, Swaziland exported 34,000 MT of sugar to the United States under the Tariff Rate Quota.

Post expects that Swaziland sugar exports to the EU could increase by about ten percent to 390,000 MT in the 2015/16 MY, due to an increase in sugar production and the new EPA (see also Table 3). In the 2014/15 MY, Swaziland exported about 355,000 MT of sugar to the EU, five percent more than the 339,250 MT exported in the 2013/14 MY.

Table 3: The different markets for Swaziland sugar for the 2013/14 MY (actual), 2014/15 MY (estimate) and 2015/16 MY (forecast)

Year	**SACU market**	**EU market**	**United States**	**Total sales**
	Metric tons			
2013/14	307,918	339,250	0	647,168
2014/15	310,000	355,000	34,000	699,000
2015/16	320,000	370,000	0	690,000

Source: Swaziland Sugar Association

Table 4: PS&D for sugar

Sugar, Centrifugal	2013/2014		2014/2015		2015/2016	
Market Begin Year	May 2013		May 2015		May 2016	
Swaziland	USDA Official	New post	USDA Official	New post	USDA Official	New post
Beginning Stocks	49	49	29	54	0	38
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	704	676	750	705	0	730
Total Sugar Production	704	676	750	705	0	730
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
Total Supply	753	725	779	759	0	768
Raw Exports	323	300	335	350	0	355
Refined Exp.(Raw Val)	50	50	50	50	0	50
Total Exports	373	350	385	400	0	405
Human Dom. Consumption	350	320	350	320	0	330
Other Disappearance	1	1	1	1	0	1
Total Use	351	321	351	321	0	331
Ending Stocks	29	54	43	38	0	32
Total Distribution	753	725	779	759	0	768
1000 MT						