

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

### **Sugar Semi-annual**

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

**Approved By:**

Eric Wenberg

**Prepared By:**

Dirk Esterhuizen

**Report Highlights:**

For the 2013/14 MY, South Africa will increase sugar cane production by almost 20 percent to 20.7 MMT, due to improved climatic conditions. Sugar production is estimated at 2.5 MMTRV, 25 percent more than the 2.0 MMTRV of the 2012/13 MY, and as a result sugar exports could increase by 60 percent to reach 600,000 MTRV. Sugar imports is expected to stay constant at about 10 percent of production in the 2013/14 MY, after the South African Sugar Association applied for an increase in the sugar import tariff.

**Executive Summary:**

The July estimate for South Africa's 2013/14 MY sugar cane crop was set at 20.7 MMT. This represents an increase of almost 20 percent from the previous season's production of 17.3 MMT. Most of the sugar producing areas received good rains during the early parts of 2013, which contributed to the increase in sugar cane production. As a result, sugar production is estimated at 2.4 MMT (2.5 MMTRV), 22 percent more than in the 2.0MMT (2.0MMTRV) sugar produced in the 2012/13 MY.

In the 2013/14 MY, South Africa's sugar exports could increase by 60 percent to reach 600,000 MTRV on increased sugar production. South Africa should be able to deliver on their new Tariff Rate Quota from the United States. In the 2012/13 MY, South Africa exported 377,215 MTRV of sugar, an increase of almost 40 percent from the 2011/12 MY's sugar exports of 271,330 MTRV.

South Africa imported 222,661 MTRV of sugar in the 2012/13 MY, 16 percent more than the 192,660 MTRV of sugar imported in the 2011/12 MY. Sugar imports are expected to stay at the same level in the 2013/14 MY, if the application for an increase in the sugar import tariff is successful. The South African Sugar Association applied to the International Trade Administration Commission of South Africa (ITAC) for an increase in the domestic Dollar-based reference price for sugar from US\$358 per ton to US\$764 per ton, effectively applying for a 50 percent sugar import tariff.

Sources:

<http://www.sasa.org.za>

<http://www.illovo.co.za>

<http://www.huletts.co.za>

<http://www.tsb.co.za>

<http://www.sacane growers.co.za>

US\$1=R10.05 (10/01/2013)

**Sugar cane**

## Production

The July estimate for South Africa's 2013/14 MY sugar cane crop was set at 20.7 MMT. This represents an increase of almost 20 percent from the previous season's production of 17.3 MMT. Most of the sugar producing areas received good rains during the early parts of 2013, which contributed to the increase in sugar cane production and a welcome relieve for the sugar industry after enduring three of the worst production seasons in the past 20 years due to poor climatic conditions.

For the 2013/14 MY, sugar production is estimated at 2.4 MMT (2.5 MMTRV), 22 percent more than in the 2012/13 MY, on the back of a higher expected sugar cane crop. Table 1 illustrates the production of sugar in South Africa for 2011/12 MY (actual), 2012/13 MY (estimate) and 2013/14 MY (estimate).

**Table 1: The production of sugar in South Africa**

Marketing years	Area planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar production (MT*)	Cane/sugar ratio
2011/12	378,307	270,705	62.1	16,800,277	1,832,438	9.2
2012/13 (estimate)	380,000	274,000	63.1	17,278,000	1,952,000	8.9
2013/14 (estimate)	385,000	310,000	66.7	20,727,000	2,370,000	8.7

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

## Alternative uses for sugar cane

In August 2012, the South African government published regulations regarding the mandatory blending of bio-fuels with petrol and diesel. The regulations allow for five percent blending for biodiesel production, and set a permitted range of two percent up to ten percent for ethanol. The regulations did not mention the specific feedstock that can be used for bio-fuels, but it is general knowledge that the government will allow canola, sunflower and soybeans as feedstock for biodiesel, and sugar cane, sugar beet and sorghum as feedstock for ethanol. 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. A strategic framework for bio-fuel production in South Africa will now be developed by the government.

## Cane prices

The South African sugar industry is a net exporter of sugar. In order to distribute export earnings equitably amongst growers and millers, the South African Sugar Association (SASA) has implemented a Division of Proceeds. The Division of Proceeds is the formula where revenue that accrues to the sugar industry is allocated to millers and growers under a partnership arrangement. The Sugar Act and the Sugar Industry Agreement provide regulatory support for the Division of Proceeds.

Industry revenues earned from domestic and export sales of sugar and molasses 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 during the season which is applied to all cane delivered to date.

The RV price for sugar cane in the 2013/14 MY decrease to R3,083 per ton from the final price of R3,197 per ton that was set in the 2012/13 MY. This follows on a global decline in the price of sugar. However, a weakening R/US\$ exchange rate supported the domestic sugar price. RV prices paid the past three years to growers are shown in Table 2.

**Table 2: Recoverable Value and cane prices**

MY (Apr – Mar)	RV Price (Rand)	Cane Price (Rand)	Average R/\$ Exchange rate
2011/12	3,017.51	352.38	7.45
2012/13	3,197.32	360.00	8.51
2013/14	3,083.80	355.00	9.87

**Table 3: PS&D for sugar cane**

Sugar Cane for Centrifugal South Africa	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2011		Market Year Begin: Apr 2012		Market Year Begin: Apr 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	378	378	380	380	385	385
Area Harvested	270	270	274	274	280	310
Production	16,800	16,800	17,278	17,278	18,100	20,727
Total Supply	16,800	16,800	17,278	17,278	18,100	20,727
Utilization for Sugar	16,800	16,800	17,278	17,278	18,100	20,727
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	16,800	16,800	17,278	17,278	18,100	20,727
1000 HA, 1000 MT						

## Sugar

### Production

For the 2013/14 season, sugar production is estimated at 2.4 MMT (2.5 MMTRV), 21 percent more than the 2.0 MMT (2.0 MMTRV) produced in the 2012/13 MY, on a higher sugar cane crop. In the 2011/12

MY, South Africa produced its lowest sugar crop the past 15 years at 1.8 MMT (1.9 MMTRV), due to a drought-affected production season.

## Consumption

The South African Customs Union (SACU) is the primary market for the South African 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 sugar producing countries in SACU. The region's sugar demand is estimated at approximately 2.2 MMT or 37kg per capita. South Africa's sugar sales into the SACU market is expected to reach almost 1.8 MMT (1.9 MMTRV) in the 2013/14 MY, based on a 10-year historical growth rate of two percent per annum. Post estimates that the South African sugar industry supplied 1.7 MMT (1.8 MMTRV), Swaziland about 310,000 tons (330,000 MTRV) and imports, mainly from Brazil, 211,260 MT (222,660 MTRV) to the SACU market in the 2012/13 MY.

From South Africa's SACU sales, approximately 45 percent is sold to industrial customers, with the balance sold directly to consumers at retail. Approximately 77 percent of sugar sold to customers is refined sugar and the balance is brown sugar. Table 4 contains South African sugar sales into the SACU market for the 2011/12 MY (actual), 2012/13 MY (estimate) and 2013/14 MY (estimate).

**Table 4: South African sales of sugar into the SACU market**

MT *	2011/12	2012/13	2013/14
<b>White sugar</b>	1,296,866	1,325,000	1,350,000
<b>Brown sugar</b>	392,697	400,550	410,000
<b>Direct sales</b>	930,119	950,250	970,000
<b>Industrial sales</b>	759,443	775,300	790,000
<b>Total sales</b>	1,689,562	1,725,550	1,760,000
<b>MTRV</b>	1,807,831	1,846,338	1,883,200

\*Refined x 1.07 = Raw value

## Trade

### Tariff increase

Last month, the South African Sugar Association applied to the International Trade Administration Commission of South Africa (ITAC) for an increase in the domestic Dollar-based reference price for sugar, classified under tariff heading 17.01, from US\$358 per ton to US\$764 per ton. Using the requested reference price of US\$764 per ton, the variable tariff formula of sugar will trigger an increase if the three-week moving average price for the London No. 5 sugar settlement price falls by US\$20 per ton below the base price. In effect the application asked for a 50 percent tariff on imported sugar.

The main motivations given by the SASA for the application of a higher tariff is that the sugar industry is a key component for socio-economic development in the South African agricultural sector, particularly among small-holder sugar producers. For the sugar industry to continue its contribution to the government's development objectives, it requires economic stability and sustainability in a distorted global sugar sector. SASA argues that an increase in import tariffs can play a crucial role in this regards

and will help the sugar industry to maintain its contribution to the ongoing development of small-holder farmers in South Africa. Given South Africa’s export destinations are primarily within SACU, the tariff will shore up the Southern African export parts, as an excess production must be sold on the global market.

**Exports**

In the 2013/14 MY, South Africa’s sugar exports could increase by 60 percent to reach 600,000 MTRV, on increased sugar production. In the first three months of the 2013/14 MY, South Africa already exported 121,812 MTRV of sugar. Indonesia (raw sugar) and countries in sub-Saharan Africa were the main markets. Exports and imports for raw sugar and refined sugar for the 2012/13 MY and 2013/14 MY (May 2013 to July 2013) are shown in the trade matrixes below.

In the 2012/13 MY, South Africa exported 377,215 MTRV of sugar, an increase of almost 40 percent from the 2011/12 MY’s sugar exports of 271,330 MTRV. South Africa exported 128,025 MTRV of raw sugar and 232,888 MT (249,190 MTRV) of refined sugar. Japan (30,000 MT raw sugar), Mozambique (10,229 MT raw sugar and 56,777 MT refined sugar), Angola (47,408 MT refined sugar), Indonesia (36,000 MT raw sugar) and Zimbabwe (22,621 MT raw sugar and 43,286 MT refined sugar) were the major export destinations for South African sugar.

**Imports**

South Africa imported 222,661 MTRV of sugar in the 2012/13 MY, 16 percent more than the 192,660 MTRV of sugar imported in the 2011/12 MY. Sugar imports are expected to stay at the same level in the 2013/14 MY, due to the application for an increase in the sugar import tariff. Most sugar imports are from Brazil.

**Export Trade**

Country	South Africa,		Units:	
Commodity	Cane Sugar (HS170111, 170112, 170113, 170114)			
Time Period	My			Mt
Exports to:	2012/13			2013/14*
U.S.	23,216	U.S.		0
Others		Others		

Japan	30,000	Indonesia	27,297
Mozambique	10,229	Zimbabwe	10,739
Indonesia	36,000	Mozambique	6,607
Zimbabwe	22,621		
Namibia	2,009		
Total for Others	100,859		44,643
Others not Listed	3,950		4,272
Grand Total	128,025		48,915

\*05/01/2013 -07/31/2013

### Export Trade

Country	South Africa,		
	Refined sugar**		
Commodity	(HS170199, 170191)		
Time Period	My	Units:	Mt
Exports to:	2012/2013		2013/2014*
U.S.	25	U.S.	0
Others		Others	
Mozambique	56,777	Mozambique	14,898
Zimbabwe	43,286	Zimbabwe	19,510
Uganda	12,351	Uganda	5,100
Kenya	6,242	Kenya	4,792
Madagascar	25,475	Madagascar	5,175
Angola	47,408	Angola	10,215
Congo	5,020	Saudi Arabia	4,000
Sudan	19,279	Tanzania	2,227
Namibia	4,338		
Comoros	4,047		
Total for Others	224,223		65,917
Others not Listed	8,640		2,211
Grand Total	232,888		68,128

\*05/01/2013 - 07/31/2013

\*\*Refined x 1.07 = Raw value

### Import Trade

Country	South Africa,		
Commodity	Cane Sugar (HS170111, 170112, 170113, 170114)		
Time Period	My	Units:	Mt
Imports form:	2012/13		2013/14*
U.S.	0	U.S.	0
Others		Others	
Brazil	43,508	Brazil	24,777
Thailand	4,455	Thailand	3,203
Total for Others	47,963		27,980

Others not Listed	430	72
Grand Total	48,393	28,052

\*05/01/2013 -07/31/2013

### Import Trade

Country	South Africa,			
Commodity	Refined sugar** (HS170199, 170191)			
Time Period	My	Units:	Mt	
Exports to:	2012/13		2013/14*	
U.S.	0	U.S.	0	
Others		Others		
Brazil	147,999	Brazil	49,411	
Thailand	8,318	Thailand	1,153	
India	2,903			
Finland	1,650			
Total for Others	160,870		50,564	
Others not Listed	1,997		471	
Grand Total	162,867		51,035	

\*05/01/2013 – 07/31/2013

\*\*Refined x 1.07 = Raw value

**Table 5: PS&D for sugar**

Sugar, Centrifugal South Africa	2011/2012		2012/2013		2013/2014	
	Market Year Begin: May 2011		Market Year Begin: May 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	158	158	161	162	126	172
Beet Sugar Production	0		0	0	0	0
Cane Sugar Production	1,897	1,897	2,020	2,020	2,175	2,450
Total Sugar Production	1,897	1,897	2,020	2,020	2,175	2,450
Raw Imports	91	91	50	48	50	50
Refined Imp.(Raw Val)	102	102	150	174	100	175
Total Imports	193	193	200	222	150	225
Total Supply	2,248	2,248	2,381	2,404	2,451	2,847
Raw Exports	123	122	170	128	250	250
Refined Exp.(Raw Val)	149	149	230	249	250	350
Total Exports	272	271	400	377	500	600
Human Dom. Consumption	1,810	1,810	1,850	1,850	1,880	1,880
Other Disappearance	5	5	5	5	5	5
Total Use	1,815	1,815	1,855	1,855	1,885	1,885



<b>Ending Stocks</b>	161	162	126	172	66	362
<b>Total Distribution</b>	2,248	2,248	2,381	2,404	2,451	2,847
1000 MT						