Growing conditions for sugar cane have improved in most production areas after consistent rains in late 2011. These rains come after the sugar industry endured two of the worst drought-affected production seasons in the past 20 years in South Africa. Hence, post forecasts that for the 2012/13 season, the South African sugarcane crop will increase by a million tons or by six percent to 17.9 MMT. Sugar production for the 2012/13 season is estimated at 2.1 MMT Tell Quell (2.2 MMTRV), 15 percent more than in the 2011/12 season due to a higher sugarcane crop. As a result, sugar exports are expected to almost double to 600,000 MTRV in the 2012/13 season.
Executive Summary:
Good rains over most of the sugarcane producing areas of South Africa have set the foundation for an expected higher crop in the 2012/13 season. Hence, post forecasts that the 2012/13 season (April 2012 to March 2013) sugarcane crop will increase by about a million tons or by six percent to 17.9 MMT. This comes after enduring two of the worst drought-affected production seasons in the past 20 years. The 2011/12 season (April 2011 to March 2012) sugarcane crop was finalized at 16.8MMT, only about five percent higher than the previous season’s 16.0MMT.

Sugar production for the 2012/13 season is forecast to be 2.1 MMT Tel Quell (2.2 MMTRV), 15 percent more than the previous season on better climatic conditions. In the 2011/12 season, South Africa produced its lowest sugar crop the past 15 years at 1.8 MMT (1.9 MMTRV) due to the secondary impacts of 2010/11 season’s drought.

Sugar exports are expected to increase by 80 percent to 600,000 in the 2012/13, as sugar production significantly rebounds from previous years of low production. Hence, South Africa is expected to deliver on a possible United States tariff rate sugar allocation in the 2012/13 season. Post expects South Africa’s sugar exports declined by about 20 percent in 2011/12 season to 330,000 MTRV due to lower domestic sugar production. It is expected that South Africa exported 160,000 MT of raw sugar and 160,000 MT (171,200 MTRV) of refined sugar during the 2011/12 season.

Sources:

http://www.sasa.org.za
http://www.illovo.co.za
http://www.huletts.co.za
http://www.tsb.co.za
http://www.sacanegrowers.co.za

US$1=R7.94 (04/10/2012)
Sugarcane

Production

After enduring two of the worst drought-affected production seasons in the past 20 years, the South African sugar industry is expected to benefit from a combination of improved sugarcane climatic growing conditions and a higher international raw sugar price. Good rains over most of the KwaZulu-Natal, where 75 percent of South Africa’s sugarcane is produced, were welcomed by cane growers. The rains came at an ideal time as most growers had commenced fertilizer and planting operations for the 2012/13 season, setting the foundation for an expected higher crop in the 2012/13 season. Hence, post forecasts that the 2012/13 season (April 2012 to March 2013) sugarcane crop will increase by about a million tons or by six percent to 17.9 MMT. However, a 17.9 MMT sugarcane crop is still more than 2.5 MMT lower than South Africa’s average sugarcane crop for the past 15 years of 20.4 MMT.

In addition to unpredictable weather conditions in recent years, South African sugarcane growers have faced decreased profit margins, uncertainty over land reform, urbanization, high crime levels and infrastructure constraints. These factors have lead to a reduction in area planted to sugarcane since the 1990’s. Figure 1 illustrates the trend in sugar production over the past 15 years in South Africa. The sugar area to be harvested in the 2012/13 season is expected to be on the same level as the previous two years at around 280,000 hectares.

![Figure 1: The trend in sugarcane production in South Africa](image)

The 2011/12 season (April 2011 to March 2012) sugarcane crop was finalized at 16.8MMT, only five percent higher than the previous season’s 16MMT. Drought and secondary impacts of drought, such as cane root mortality and the forced harvest of young cane, were the major reasons for South Africa having two of the lowest sugarcane production seasons in a row.

For the 2012/13 season, sugar production is estimated at 2.1 MMT Tell Quell (2.2 MMTRV), 15 percent more than in the 2011/12 season on a higher than expected sugarcane crop. The estimated 1.8
MMT Tell Quell (1.9 MMTRV) sugar that was produced in the 2011/12 season is the lowest the past 15 years in South Africa. The relatively high cane-to-sugar ratio of 9.22 for the 2011/12 season illustrates the impact of drought on sugarcane yields. In the 2010/11 season, 1.92 MMT Tell Quell (1.99 MMTRV) sugar was produced. Table 1 illustrates the production of sugar in South Africa for 2010/11 (actual), 2011/12 (estimate) and 2012/13 (forecast) marketing years.

Table 1: The production of sugar in South Africa

<table>
<thead>
<tr>
<th>Season</th>
<th>Area planted (HA)</th>
<th>Area harvested (HA)</th>
<th>Yield (MT/HA)</th>
<th>Cane crushed (MT)</th>
<th>Sugar production (MT*)</th>
<th>Cane/sugar ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>382,721</td>
<td>279,535</td>
<td>57.3</td>
<td>16,015,649</td>
<td>1,919,116</td>
<td>8.35</td>
</tr>
<tr>
<td>2011/12</td>
<td>383,000</td>
<td>280,000</td>
<td>60.0</td>
<td>16,800,000</td>
<td>1,822,000</td>
<td>9.22</td>
</tr>
<tr>
<td>2012/13</td>
<td>380,000</td>
<td>280,000</td>
<td>63.8</td>
<td>17,850,000</td>
<td>2,100,000</td>
<td>8.50</td>
</tr>
</tbody>
</table>

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

The structure of the sugar industry in South Africa

There are approximately 29,130 registered sugarcane growers in South Africa, covering the provinces of KwaZulu-Natal, Mpumalanga and the Eastern Cape. Of the 29,130 sugarcane growers, more than 27,580 are small-scale growers producing eight percent of the total crop. Large-scale growers (approximately 1,550) produce approximately 85 percent of the total sugarcane crop, while milling companies, with their own sugar estates, produce approximately seven percent of the crop. The bulk of the sugar belt receives sufficient rainfall to grow cane without irrigation; however, parts of northern KwaZulu-Natal and Mpumalanga regions cannot produce cane without irrigation (approximately 30 percent of total production). Cane growers are represented by the South African Cane Growers Association.

There are 14 sugar mills in South Africa. Four mills are each owned by Illovo Sugar Ltd and Tongaat Hulett Sugar Ltd. Three mills are owned by Tsb Sugar RSA Ltd, while Umfolozi Sugar Mill (Pty) Ltd, UCL Company Ltd and Gledhow Sugar Company (Pty) Ltd each own one mill. Only two mills are located in the Mpumalanga province, while the remainders are located in the KwaZulu-Natal province. The sugar millers are represented by the South African Sugar Millers’ Association Limited. Four of the mills are known as "white end" mills and produce their own refined sugar. Part of the raw sugar produced by Tsb Sugar RSA Ltd is refined at the Malelane "white end" mill, and the balance is exported via the sugar terminal in Maputo, Mozambique. The raw sugar produced at the remaining mills that is not used by the milling companies for exports of bagged refined sugar or direct consumption raw sugar, is routed to the coastal city of Durban. In Durban it is either refined at the central refinery of Tongaat Hulett Sugar Ltd or stored at the South African Sugar Association sugar terminal prior to export.

The South African sugar industry is regulated to facilitate the relationship between growers and millers and to protect the industry against international trade-distorting measures. The South African Sugar Association (SASA) is constituted in terms of the Sugar Act (Act 9 of 1978), which provides for the Sugar Industry Agreement to regulate the affairs of the industry. SASA is an autonomous organization and operates free of government control. Due to the interdependence of millers and growers in the sugar industry, SASA has been structured on the basis of a partnership. The South African Cane...
Growers’ Association and the South African Sugar Millers’ Association Ltd are equal partners in the SASA and are represented by equal numbers of members on the Council of SASA, where decisions are reached on a consensus basis (see also Figure 2).

Figure 2: Organization of the South African sugar industry

**Cane prices**

The South African sugar industry is a net exporter of sugar. In order to distribute exposure to the world market equitably among growers and millers, 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 (see also figure 3). Cane growers are thus paid for their sugarcane 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. A final RV price for the season is declared in March of each year. The final RV price for sugar in the
2011/12 season was declared at R3,018 per ton, 14 percent higher than the previous season and reflects higher international prices and relative low domestic sugar production. Final RV prices paid the past three years to growers are shown in Table 2.

Table 2: Final Recoverable Value and cane prices

<table>
<thead>
<tr>
<th>Year (Apl – Mrt)</th>
<th>RV Price (Rand)</th>
<th>Cane Price (Rand)</th>
<th>Average R/$ Exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>2 284.20</td>
<td>284.15</td>
<td>7.80</td>
</tr>
<tr>
<td>2010/11</td>
<td>2 572.14</td>
<td>331.55</td>
<td>7.15</td>
</tr>
<tr>
<td>2011/12</td>
<td>3 017.51</td>
<td>350.00</td>
<td>7.45</td>
</tr>
</tbody>
</table>

Sugarcane for Centrifugal South Africa

<table>
<thead>
<tr>
<th>Year</th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Year Begin: April 2010</td>
<td>Market Year Begin: April 2011</td>
<td>Market Year Begin: April 2012</td>
</tr>
<tr>
<td>USDA Official</td>
<td>New Post</td>
<td>USDA Official</td>
<td>New Post</td>
</tr>
<tr>
<td>Area Planted</td>
<td>405</td>
<td>383</td>
<td>383</td>
</tr>
<tr>
<td>Area Harvested</td>
<td>301</td>
<td>280</td>
<td>280</td>
</tr>
<tr>
<td>Production</td>
<td>18,670</td>
<td>16,016</td>
<td>16,800</td>
</tr>
<tr>
<td>Total Supply</td>
<td>18,670</td>
<td>16,016</td>
<td>16,800</td>
</tr>
<tr>
<td>Utilization for Sugar</td>
<td>18,670</td>
<td>16,016</td>
<td>16,800</td>
</tr>
<tr>
<td>Utilization for Alcohol</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Utilization</td>
<td>18,670</td>
<td>16,016</td>
<td>16,800</td>
</tr>
</tbody>
</table>

Sugarcane for Centrifugal South Africa

1000 HA, 1000 MT

Sugar

Production

Sugar production for the 2012/13 season is forecast to be 2.1 MMT Tell Quell (2.2 MMTRV), 15 percent more than the previous season on the back of better climatic conditions. In the 2011/12 season, South Africa produced its lowest sugar crop the past 15 years at 1.8 MMT (1.9 MMTRV) due to the secondary impacts of 2010/11 season’s drought.

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 producers in SACU and together produce in excess of the region’s sugar demand, which is estimated at two MMT or 34kg per capita.

The demand for sugar is expected to grow by only two percent in the 2012/13 season. High sugar prices and a slower than expected economic growth rate of only 2.7 percent for South Africa in 2012 are the main reasons for dampening regional demand for sugar. However, the long-term prospects for increased sugar consumption remain good as the South African economy is expected to accelerate by 3.6 percent in 2013 and by 4.2 percent in 2014, led by robust household consumption and stronger
public and private sector investments. It is expected that the South African sugar industry will supply 1.6 MMT and Swaziland about 340,000 MT to the SACU market in the 2012/13 season.

From South Africa’s SACU sales, approximately 44 percent is sold to industrial customers, with the balance sold directly to consumers at retail. Approximately 80 percent of sugar sold to customers is refined sugar and the balance brown sugar. For the 2011/12 season, South African sugar sales in the SACU market are expected to increase by three percent to 1.6MMT. Table 3 contains South African sugar sales into the SACU market for the 2010/11 (actual), 2011/12 (estimate) and 2012/13 (forecast) marketing years.

Table 3: South African sales of sugar into the SACU market

<table>
<thead>
<tr>
<th></th>
<th>2010/11</th>
<th>2011/12</th>
<th>2012/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>White sugar</td>
<td>1,230,945</td>
<td>1,276,000</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Brown sugar</td>
<td>319,132</td>
<td>319,000</td>
<td>330,000</td>
</tr>
<tr>
<td>Direct sales</td>
<td>861,273</td>
<td>883,200</td>
<td>910,000</td>
</tr>
<tr>
<td>Industrial sales</td>
<td>675,882</td>
<td>701,800</td>
<td>720,000</td>
</tr>
<tr>
<td>Total sales</td>
<td>1,550,077</td>
<td>1,595,000</td>
<td>1,630,000</td>
</tr>
<tr>
<td>MTRV</td>
<td>1,658,582</td>
<td>1,706,650</td>
<td>1,744,100</td>
</tr>
</tbody>
</table>
*Refined x 1.07 = Raw value

Trade

Sugar exports are expected to increase by 80 percent to 600,000 MT or almost 28 percent of production in the 2012/13 season on increased sugar production. South Africa will be able to deliver on a possible United States tariff rate sugar allocation in the 2012/13 season, and could likely supply more than their allocation if unfilled allocations become redistributed. Post expects South Africa’s sugar exports will decline by about 20 percent in 2011/12 season to 330,000 MTRV on the back of lower domestic sugar production. It is expected that South Africa will export 160,000 MT of raw sugar and 160,000 MT (171,200 MTRV) of refined sugar during the 2011/12 season. The 2011/12 sugar exports only represented about 17 percent of total production, whereas the average percentage of production being exported the past ten years was almost 45 percent. Figure 3 illustrates the declining trends in sugar production and exports by the South African sugar industry since the 1997/98 season. However, there is an increasing trend in sugar sales to the SACU market since the 1997/98 season, illustrating the South African sugar industries’ competitive advantage in supplying the SACU market with sugar.

Exports and imports for raw sugar and refined sugar for the 2010/11 season and 2011/12 season (April to December) are shown in the trade matrixes below. Japan (30,000 MT raw sugar), Mozambique (22,225 MT raw sugar and 39,536 MT refined sugar) and Angola (20,980 MT raw sugar and 6,315 MT refined sugar) were the major export destinations, outside the SACU market, for South African sugar in the 2011/12 season so far.

Sugar imports are expected to increase by about 10 percent to 220,000 MTRV, due to a decline in production, in the 2011/12 season, which represent almost 12 percent of local production. Sugar imports are mostly from Brazil. Post expects that sugar imports will fall back to the normal six percent
of local production in the 2012/13 season, due to the increase in local sugar production based on more favorable growing conditions.

Figure 3: Trends in South Africa’s sugar production and sugar sales to the local and export markets

<table>
<thead>
<tr>
<th>Export Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Commodity</strong></td>
</tr>
<tr>
<td><strong>Time Period</strong></td>
</tr>
<tr>
<td><strong>Exports to:</strong></td>
</tr>
<tr>
<td>U.S.</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>Country</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Mozambique</td>
</tr>
<tr>
<td>Zimbabwe</td>
</tr>
<tr>
<td>Angola</td>
</tr>
<tr>
<td>Tanzania</td>
</tr>
<tr>
<td>Madagascar</td>
</tr>
<tr>
<td>Sudan</td>
</tr>
<tr>
<td>Kenya</td>
</tr>
<tr>
<td>Total for Others</td>
</tr>
<tr>
<td>Others not Listed</td>
</tr>
<tr>
<td>Grand Total</td>
</tr>
</tbody>
</table>

*April 2011 to December 2011

**Refined x 1.07 = Raw value**

### Export Trade

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>Time Period</th>
<th>Units:</th>
<th>Exports to:</th>
<th>U.S.</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>Refined sugar**</td>
<td>My</td>
<td>Mt</td>
<td>2010/2011</td>
<td>0</td>
<td>66,887</td>
</tr>
<tr>
<td>Madagascar</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td>2011/2012*</td>
<td></td>
<td>28,562</td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>19,654</td>
</tr>
<tr>
<td>Uganda</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>17,860</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>10,403</td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>10,008</td>
</tr>
<tr>
<td>Sudan</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>7,344</td>
</tr>
<tr>
<td>Ghana</td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td>8,167</td>
</tr>
<tr>
<td>Total for Others</td>
<td>168,885</td>
<td>105,347</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others not Listed</td>
<td>25,811</td>
<td>7,142</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>194,696</td>
<td>112,498</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Refined x 1.07 = Raw value**

### Import Trade

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>Time Period</th>
<th>Units:</th>
<th>Imports from:</th>
<th>U.S.</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Cane Sugar (HS170111)</td>
<td>My</td>
<td>Mt</td>
<td>2010/11</td>
<td>0</td>
<td>49,108</td>
</tr>
<tr>
<td></td>
<td></td>
<td>My</td>
<td>Mt</td>
<td>2011/12*</td>
<td></td>
<td>50,288</td>
</tr>
<tr>
<td></td>
<td></td>
<td>My</td>
<td>Mt</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*April 2011 to December 2011

**Refined x 1.07 = Raw value**
### Import Trade

<table>
<thead>
<tr>
<th>Country</th>
<th>South Africa,</th>
<th>Commodity</th>
<th>Refined sugar** (HS170199)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Period</td>
<td>My</td>
<td>Units:</td>
<td>Mt</td>
</tr>
<tr>
<td>Exports to:</td>
<td>2010/11</td>
<td>U.S.</td>
<td>2011/12*</td>
</tr>
<tr>
<td>U.S.</td>
<td>0</td>
<td>U.S.</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>Others</td>
<td>Brazil</td>
<td>54,682</td>
</tr>
<tr>
<td>Brazil</td>
<td>52.621</td>
<td>Brazil</td>
<td></td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>2,808</td>
<td>India</td>
<td>1,590</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>938</td>
<td>United Arab Emirates</td>
<td>938</td>
</tr>
</tbody>
</table>

| Total for Others   | 55,429        | 57,210          |
| Others not Listed  | 2,568         | 191             |
| Grand Total        | 57,997        | 57,401          |

*April 2011 to December 2011

**Refined x 1.07 = Raw value

### Sugar, Centrifugal South Africa

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USDA Official</td>
<td>New Post</td>
<td>USDA Official</td>
</tr>
<tr>
<td>Beginning Stocks</td>
<td>70</td>
<td>70</td>
<td>200</td>
</tr>
<tr>
<td>Beet Sugar Production</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cane Sugar Production</td>
<td>1,985</td>
<td>1,985</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Sugar Production</td>
<td>1,985</td>
<td>1,985</td>
<td>2,000</td>
</tr>
<tr>
<td>Raw Imports</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Refined Imp.(Raw Val)</td>
<td>130</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Total Imports</td>
<td>200</td>
<td>200</td>
<td>150</td>
</tr>
<tr>
<td>Total Supply</td>
<td>2,255</td>
<td>2,255</td>
<td>2,350</td>
</tr>
<tr>
<td>Raw Exports</td>
<td>205</td>
<td>205</td>
<td>230</td>
</tr>
<tr>
<td>Refined Exp.(Raw Val)</td>
<td>225</td>
<td>210</td>
<td>250</td>
</tr>
<tr>
<td>Total Exports</td>
<td>430</td>
<td>415</td>
<td>480</td>
</tr>
<tr>
<td>Human Dom. Consumption</td>
<td>1,620</td>
<td>1,660</td>
<td>1,670</td>
</tr>
<tr>
<td>Other Disappearance</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<tr>
<td></td>
<td>1.625</td>
<td>1.665</td>
<td>1.675</td>
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<tr>
<td>----------------</td>
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<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ending Stocks</strong></td>
<td>200</td>
<td>175</td>
<td>195</td>
</tr>
<tr>
<td><strong>Total Distribution</strong></td>
<td>2.255</td>
<td>2.255</td>
<td>2.350</td>
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