

Voluntary Report – Voluntary - Public Distribution
2024

Date: August 26,

Report Number: SF2024-0020

Report Name: South Africa Revises Sugar Import Duties

Country: South Africa - Republic of

Post: Pretoria

Report Category: Sugar

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Report Highlights:

On July 19, 2024, the South African government published a new sugar import tariff of R1,093 per metric ton (US\$60.09/MT). This tariff change was triggered by a downward trend in global sugar prices and will apply to sugar imported into the Southern Africa Customs Union (SACU). Post expects sugar imports to come mainly from Eswatini on duty-free access into South Africa.

Background

South Africa uses a price band tariff adjustment model to protect the sugar industry against a surge in imports. The tariff is tied to the difference between the dollar-based reference price (DBRP) and the prevailing moving average of the London No.5 settlement price. The 20-day moving average is calculated daily from the settlement price of No.5 white sugar traded on the London International Financial Futures and Options Exchange. The current DBRP is based on the 6-year average of the London No.5 settlement price of US\$507/metric tons (MT) for refined sugar, plus the adjustment for domestic and global market distortions of 40 percent, less the transport costs of US\$31/MT. Adjustments to the tariff are triggered when the 20-day moving average of the London No.5 settlement price shows a variance of more than \$20/MT for 20 consecutive trading days since the previous adjustment.

The International Trade Administration Commission of South Africa (ITAC), which conducts tariff investigations and proposes trade remedies, revised the DBRP from \$330/MT to \$358/MT in 2009, then to \$566/MT in 2014. The current applicable DBRP of \$680/MT was implemented as of July 2018. If the DBRP trigger drops below \$680/MT, deep sea imports into the Southern Africa Customs Union (SACU) become subject to a tariff published by the South African Revenue Service (SARS), while import prices higher than the DBRP result in no duties payable. As members of SACU, Botswana, Eswatini, Lesotho, Namibia, and South Africa all implement the tariff to external trade while internal trade remains exempt.

There is usually a lag between when a tariff is triggered and published for implementation. ITAC recommends the change in the customs duty once the conditions for an adjustment are met. The recommendation is then sent for approval by the Minister of Trade, Industry and Competition. Once approved, the Ministry of Finance publishes and implements the new tariff.

New import duty

The 20-day moving average of the London No.5 settlement price triggered a tariff adjustment on April 1, 2024. On July 19, 2024, South Africa published this new sugar import duty, R1,093.60/MT (US\$60.09/MT), due to the downward trend in global sugar prices as shown in Figure 1. Table 1 shows sugar tariff triggers and changes in 2024.

Table 1: 2024 Sugar import tariff changes

Date of trigger	No.5 20-day weighted Average Price (US \$/MT)	R/US\$	Tariff (R/MT)	Date published
2024-01-09	608.34	18.71	1,409.10	2024-03-15
2024-02-21	656.34	18.92	477	Not published
2024-04-01	624.33	18.89	1,093.60	2024-07-19

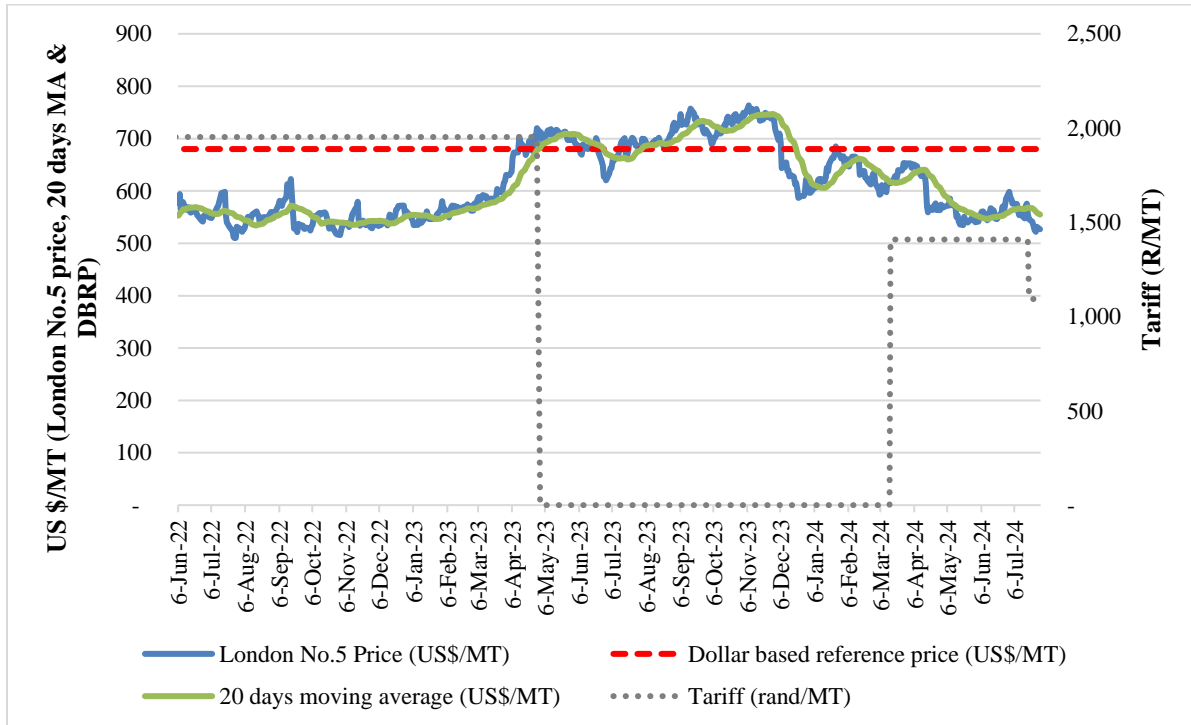
US\$1 = Rand 18.20 (2024-07-31)

Source: ITAC, SARS

In December 2023 the No.5 sugar prices fell below \$680/MT and triggered a tariff of R1,409.10/MT on January 9, 2024 (see Table 1). This was published and implemented on March

15, 2024. Prices recovered slightly and on February 21, 2024, triggered a tariff of R477/MT; however, this was not implemented as global prices resumed a downward trend. Figure 1 shows the London No.5 settlement prices along with the moving average and the associated tariff level.

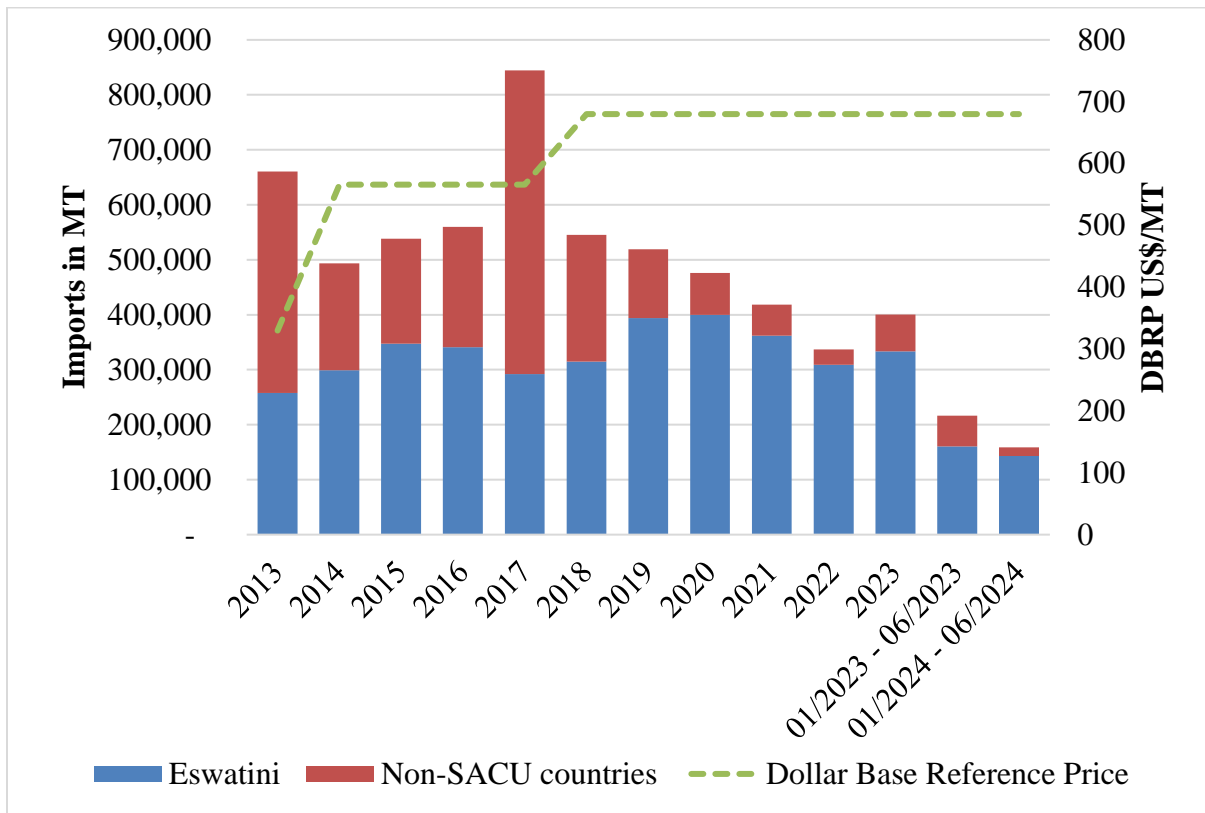
Figure 1: Sugar price and tariff levels trends



Source: ITAC, SARS, SA Canegrowers

A new, higher import tariff was triggered on May 27, 2024, at \$558.40/MT and since then, prices have remained below the DBRP. However, it may take some time before the subsequent tariff change is implemented, if at all. In the meantime, importers will be subject to the R1,093.60 (US\$60.09) tariff.

Figure 2: South Africa’s imports of sugar: HS 1701



Source: Trade Data Monitor, LLC., ITAC and SARS

South Africa imported approximately 400,000 MT of sugar in 2023, with most of the imports coming from Eswatini. However, it remains a net exporter of sugar. Eswatini is a member of SACU, and its imports are not subject to any customs duty. Imports from non-SACU countries dropped from an import share of 65 percent in 2017 to 17 percent in 2023 following an increase in the DBRP and the resulting tariff levels. South Africa imports relatively low volumes of refined sugar from the United States, with imports dropping from 1,081 MT in 2017 to zero imports in 2023.

Attachments:

No Attachments.