

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Sugar Annual

The report discusses sugar production and demand in South Africa

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Report Highlights:

For the 2010/11 season it is forecast that due to higher world sugar prices, sugarcane production in South Africa will stay at the same levels as the 2009/10 season, producing around 2.17 million tons (2.25 million tons raw value) of sugar. Sugarcane production for the 2009/10 season is estimated at 18.66 million tons, 3.1 percent less than the 19.26 million tons in the 2008/09 season. Sugar production for the 2009/10 season is estimated at 2.18 million tons (2.25 million tons raw value), 3.5 percent less than in the 2008/09 season. South Africa will export around 870,000 tons of sugar in the 2009/10 season and have already filled their allocation of tariff rate exports to the United States.

Executive Summary:

Sugar cane production for the 2010/11 season is forecast at 18.67 million tons which will produce 2.17 million tons Tell Quell of sugar [2.25 million metric tons raw value (MTRV)]. Sugarcane production for the 2009/10 season is estimated at 18.66 million tons. This is 3.1 percent less sugarcane crushed than the 19.26 million tons in the 2008/09 season and 5.4 percent less than the 2007/08 season. For the 2009/10 season sugar production is estimated at 2.18 million tons Tell Quell (2.25 million MTRV), 3.5 percent less than in the 2008/09 season.

South Africa exports about 40 percent of its sugar crop annually while annual imports are relatively small at less than 8 percent of total production. Raw sugar exports for the 2009/10 season is higher than in the 2008/09 season, while refined sugar exports are less. South Africa already filled their original allocation of tariff rate exports to the United States for the 2009/10 season (22,806 tons) and an additional 2,198 tons.

Although international prices of sugar has spiked, South African cane growers are not benefiting fully because of the Rand's relative strength against the United States dollar.

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=R7.25 (04/12/2010)

Commodities:

Sugar cane

Production

It would have been a welcome change to be able to report that the tide has turned for sugar cane growers in South Africa. Unfortunately, the opposite is true. South African sugar cane growers continue to farm under increasingly difficult situations and sugar cane production continued its declining trend in the 2009/10 season (see also Figure 1). Sugar cane production for the 2009/10 season, which started in April 2009, is estimated at 18.66 million tons. This is 3.1 percent less sugarcane crushed than the 19.26 million tons in the 2008/09 season and 5.4 percent less than the 2007/08 season. It is also 1 million tons less sugar cane than post's predictions in October last year.

Although diverse weather condition [Zululand had one of the driest and hottest springs (Oct-Dec) ever recorded last year, the Midlands were lambasted by a hail storm which resulted in damage to approximately 6,000 hectares of cane and the South Coast had some floods] did play a role in the decline of sugar cane production in the 2009/10 season, there are mainly three reasons that is contributing to the continues decline of sugar cane production in South Africa.

The first reason is the continuing rise in input costs versus declining revenue. Since 1995 the rate of change in the cane price index has been considerably lower than the rate of change in the index of primary farming requisite prices leading to a cost-price squeeze. This negative trend has discouraged farmers from planting more sugar cane or to use the optimal amounts of fertilizer. The second reason is land reform. Ask a cane grower what is one of the biggest issues facing the industry and many will respond land, land and land. Slow progress in resolving land claims in many parts of the sugar cane growing regions of South Africa, particularly Kwazulu-Natal, is affecting claimants and land owners. There is little investment in farms with unresolved land claims and also concern as to the caliber of future cane growers, many of whom have limited farming experience. The third reason is the use of sugar cane land for other purposes due to *inter alia* urbanization.

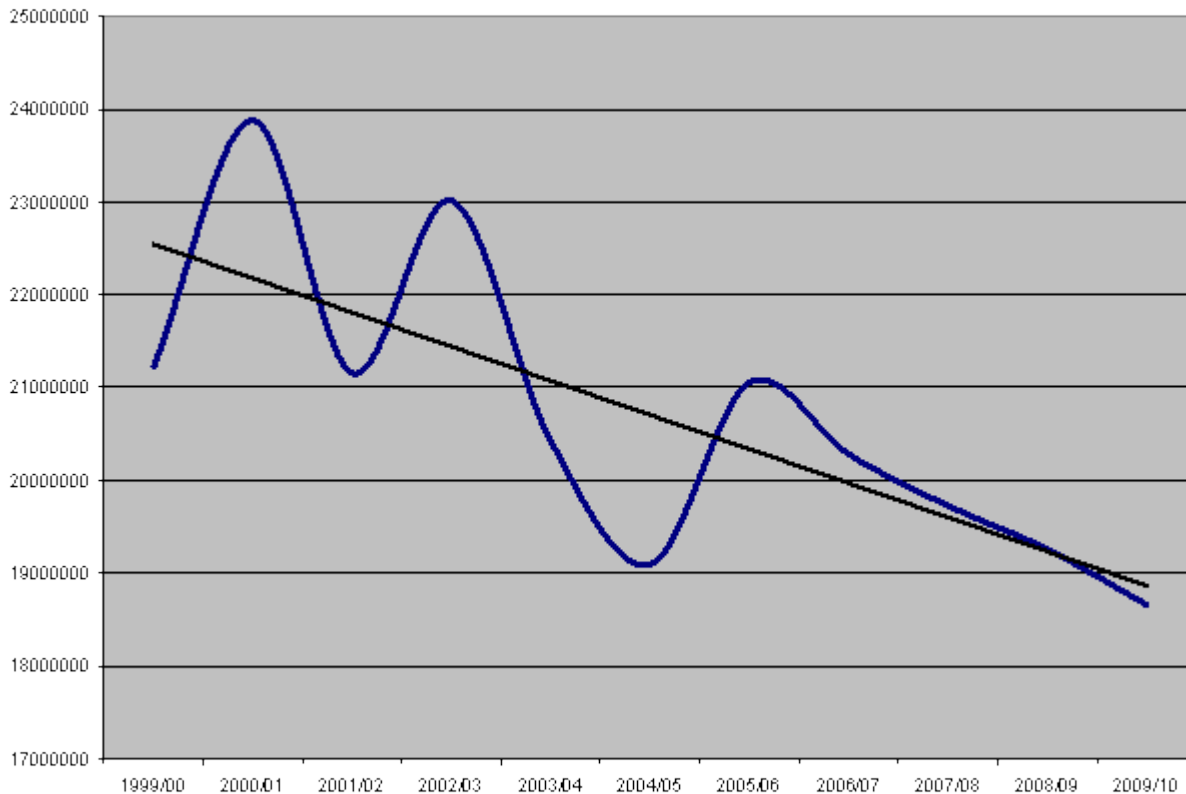


Figure1: The declining trend in sugar cane production in South Africa

However, South Africa is still the largest sugar producing country in Africa. For the 2009/10 season sugar production is estimated at 2.18 million tons Tell Quell (2.26 million MTRV), with a cane to sugar ratio of 8.57.

For the 2010/11 season it anticipated that sugar production will at least stay at the same level as the 2009/10, due to higher world sugar prices. World sugar prices are expected to remain relatively high but will continue to be volatile. Sugar cane production for the 2010/11 season is forecasted at 18.67 million tons. With a cane/sugar ratio of 8.60, 18.67 million tons of sugar cane equals 2.17 million tons Tell Quell (2.25 million MTRV) of sugar.

Table 1 illustrates the production of sugar in South Africa for 2008/09 (actual), 2009/10 (estimate) and 2010/11 (forecast) marketing years.

Table 1: The production of sugar in South Africa

Season	Area planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar production (MT*)	Cane/sugar ratio
2008/09	413,566	311,425	63.40	19 255 404	2 269 087	8.49
2009/10	405,000	300,000	62.18	18 655 000	2 178 000	8.57
2010/11	405,000	301,000	62.00	18 670 000	2 171 000	8.60

*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 38,200 registered sugarcane growers in South Africa, covering three provinces, namely Kwazulu-Natal, Mpumalanga and the Eastern Cape. Of the 38,200 sugarcane growers, more than 36,500 are small-scale growers producing 9 percent of the total crop. Large-scale growers (approximately 1,626) produce 82.6 percent of the total sugarcane crop, while milling companies with their own sugar estates produce 8.4 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). The Cane growers are represented by the South African Cane Growers Association.

There are 14 sugar mills in South Africa. Five mills are owned by Illovo Sugar Ltd; four mills are owned by Tongaat Hulett Sugar Ltd; two mills by Tsb Sugar RSA Ltd; and one mill each by Umfolozi Sugar Mill (Pty) Ltd, UCL Company Ltd and Ushukela Milling (Pty) Ltd. The two Tsb Sugar RSA Ltd mills are located in the Mpumalanga province and the remainder in the Kwazulu-Natal province. The sugar millers are represented by the South African Sugar Millers' Association Limited.

As is the case with sugar industries world wide, the South African industry is regulated to facilitate the relationship between growers and millers and to protect the industry against trade distorting measures, which exist on the world market. 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. The Sugar Act has been amended from time to time in response to changing circumstances in the industry and the environment in which it operates. The 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).

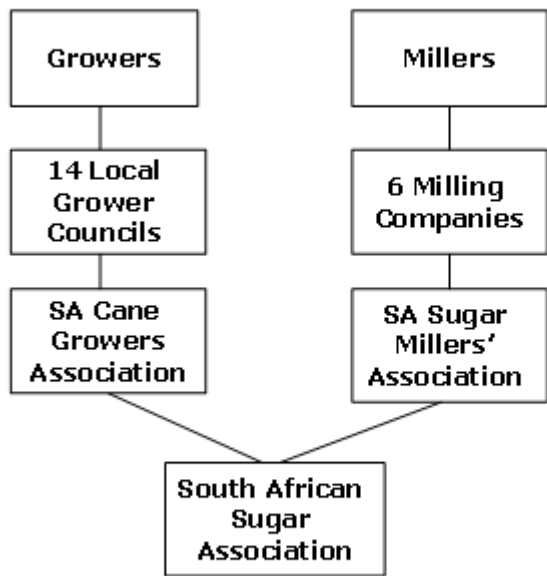


Figure 2: Organization of the South African sugar industry

The South African sugar industry exports approximately 40 percent of its sugar production to the world market annually. In order to distribute exposure to the world market equitably amongst growers and millers, a Division of Proceeds is effected via the SASA. The Division of Proceeds is the formula through which revenue that accrues to the Sugar Industry is allocated to the millers and growers as part of the partnership arrangement. The Sugar Act and the Sugar Industry Agreement provide regulatory support for the Division of Proceeds.

Total industry revenue is earned from the sale of sugar and molasses on the domestic and export markets and is accounted for to the SASA. After deduction of industrial charges, the net divisible proceeds are shared between growers and miller by a predetermined percentage of net proceeds (see also figure 3). 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.

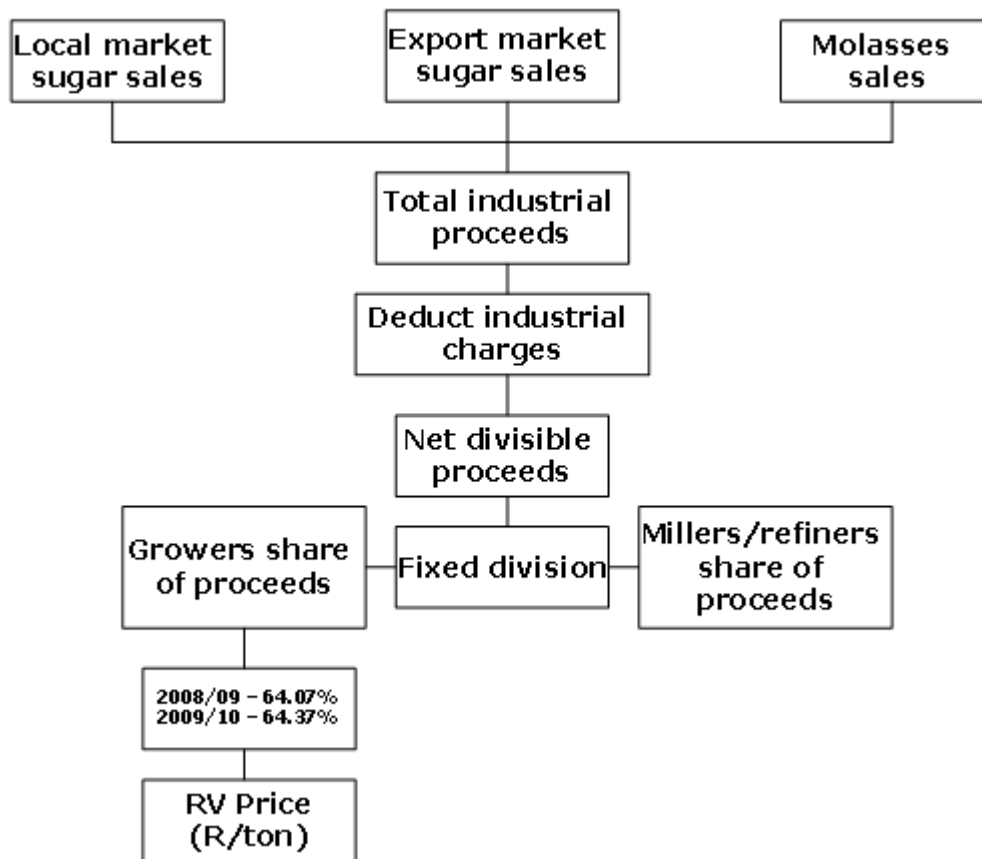


Figure 3: The Division of Proceeds

Sugar prices

The final RV price for sugar for the 2009/10 season was set at R2,284.20 per ton. This price is 13.5 percent higher than 2008/09 season and reflects the higher international price for sugar, although South African cane growers have not benefited fully because of the Rand's relative strength against the United States dollar. Average RV prices the past 8 years for the industry, paid by millers to growers, as well as the cane price are shown in Table 2.

Table 2: Average Recoverable Value and cane prices

Year (Apr - Mar)	RV Price (Rand)	Cane Price (Rand)	R/\$ Exchange rate
2002/03	1 368.79	171.78	9.72
2003/04	1 357.01	169.08	7.17
2004/05	1 297.19	159.55	6.26
2005/06	1 389.80	173.59	6.40
2006/07	1 701.86	198.78	7.04
2007/08	1 701.90	208.82	7.13
2008/09	2 011.18	251.00	8.87
2009/10	2 284.20	260.00	7.80

Sugar Cane for Centrifugal South Africa	2009			2010		2011		
	2008/2009			2009/2010		2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data	
		Data		Data			Data	
Area Planted	418	414	414	413	405			405
Area Harvested	310	311	311	310	300			301
Production	19,220	19,255	19,255	19,660	18,655			18,670
Total Supply	19,220	19,255	19,255	19,660	18,655			18,670
Utilization for Sugar	19,220	19,255	19,255	19,660	18,655			18,670
Utilization for Alcohol	0	0	0	0	0			0
Total Utilization	19,220	19,255	19,255	19,660	18,655			18,670

Sugar

Production

For the 2009/10 season sugar production is estimated at 2.18 million tons Tell Quell (2.25 million MTRV). This is 3.5 percent less than in the 2008/09 season. For the 2010/11 season it is anticipated that sugar production will be around 2.17 million tons Tell Quell (2.25 million MTRV).

Consumption

The demand for sugar in South Africa has continued to grow in the past few years and long-term prospects for increased sugar consumption remain good. The per capita consumption is currently around 35.8 kg per annum. However, in the short term the demand for sugar and sugar products in South Africa is expected to increase only moderately due to a slow recovery of the economy after the 2008 financial crisis and due to an increase in retail prices. The South African economy [as measured by the Gross domestic Product (GDP)] is expected to grow by 2.3 percent in 2010, 3.2 percent in 2011 and by 3.6 percent in 2012. Table 3 illustrates the increase in retail prices of a 1 kilogram bag and 2.5 kilogram bag of sugar in South Africa.

Table 3: The retail price trends of sugar in South Africa

Product	Price level (R/bag)				Percentage change		
	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 07 to Jan 10	Jan 08 to Jan 10	Jan 09 to Jan 10
White sugar 1kg bag	6.90	7.51	8.82	9.20	33.3	22.5	4.3
White	14.38	14.79	16.74	18.15	26.2	22.7	8.4

sugar 2.5kg bag							
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Source: NAMC

The South African Customs Union (SACU) market is of major significance for the South African sugar industry. During the 2008/09 season, total sales into SACU amounted to 1.926 million tons, about 80 percent being refined sugar and the balance brown sugar. The South African sugar industry supplied 1.427 million tons, Swaziland 320,000 tons and Zimbabwe and other SADC countries 51,000 tons. South African sugar sales into the domestic market are expected to increase by 2 percent to 1.455 million tons for the 2009/10 season and by another 2 percent to 1,484 million tons in the 2010/11 season.

Of South Africa's SACU sales, approximately 42.4 percent is sold to industrial customers, with the balance sold directly to the consumer market. Table 4 contains South African sales of sugar into the SACU market for the 2008/09 (actual), 2009/10 (estimate) and 2010/11 (forecast) marketing years.

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

MT *	2008/09	2009/10	2010/11
White sugar	1,162,113	1,176,000	1,208,000
Brown sugar	264,949	294,000	302,000
Direct sales	822,224	852,600	860,700
Industrial sales	604,838	617,400	649,300
Total sales	1,427,062	1,455,000	1,484,000

*Refined x 1.07 = Raw value

Trade

Exports and imports for sugar and refined sugar for the 2008/09 marketing year are shown in the trade matrixes. For the 2009/10 marketing year imports and export from April 2009 to January 2010 is shown. South Africa exports about 40 percent of its sugar crop annually while annual imports are relatively small at less than 8 percent of total production.

Raw sugar exports for the 2009/10 season is higher than in the 2008/09 season, while refined sugar exports are lower. Indonesia (155,450 tons), Japan (131,750 tons) and Bangladesh (50,125 tons) are the major export destinations outside SADC for South African sugar. South Africa also already filled their original allocation of tariff rate exports to the United States for the 2009/10 season (22,806 tons) and an additional 2,198 tons. Sugar imports are mostly from Brazil.

Export Trade

Country	South Africa,	
Commodity	Cane Sugar	
Time Period	My	Units: Mt
Exports to:	2008/09	2009/10*
U.S.	22 861 U.S.	22 806

Others		Others	
Mozambique	100 741	Indonesia	155 450
Japan	124 250	Japan	131 750
South Korea	140 000	Mozambique	53 887
India	25 400	Bangladesh	50 125
Uganda	14 679	Iran	33 000
Indonesia	61 880	India	30 000
Zimbabwe	8 350	Russia	25 000
		Zimbabwe	24 043
Total for Others	475 300		503 255
Others not Listed	7 005		15 084
Grand Total	505 166		541 145

*April to January

Export Trade

Country	South Africa,		
Commodity	Refined sugar*		
Time Period	My	Units:	Mt
Exports to:	2008/09		2009/10**
U.S.	0	U.S.	0
Others		Others	
Uganda	403 372	Mozambique	85 985
Mozambique	70 042	Sudan	35 105
Madagascar	35 379	Madagascar	19 267
Angola	31 742	Kenya	18 371
Kenya	28 637	Angola	17 625
Ghana	17 857	Uganda	12 102
Total for Others	587 029		188 455
Others not Listed	47 527		23 028
Grand Total	634 554		211 483

*Refined x 1.07 = Raw value

**April to January

Import Trade

Country	South Africa,		
Commodity	Cane Sugar		
Time Period	My	Units:	Mt
Imports from:	2008/09		2009/10*
U.S.	0	U.S.	0
Others		Others	
Brazil	69 345	Brazil	32 929
Malawi	6 064		
Total for Others	75 409		32 929
Others not Listed	2 142		2 762
Grand Total	77 551		35 691

*April to January

Import Trade

Country	South Africa,		Units:	
Commodity	Refined sugar*			
Time Period	My			Mt
Exports to:	2008/09			2009/10**
U.S.	0		U.S.	0
Others			Others	
Brazil	53 532		Brazil	60 848
India	2 936		United Arab Emirates	3 905
Total for Others	56 468			64 753
Others not Listed	2 105			904
Grand Total	58 573			65 657

*Refined x 1.07 = Raw value

**April to January

Sugar, Centrifugal Africa	South	2009			2010			2011		
		2008/2009			2009/2010			2010/2011		
		Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
		USDA Official Data	New Post Data		USDA Official Data	New Post Data		USDA Official Data	New Post Data	
Beginning Stocks	227	227	227	97	162	30			49	
Beet Sugar Production	0	0	0	0	0	0			0	
Cane Sugar Production	2,350	2,350	2,350	2,380	2,300	2,254			2,250	
Total Sugar Production	2,350	2,350	2,350	2,380	2,300	2,254			2,250	
Raw Imports	0	0	78	0	0	50			60	
Refined Imp.(Raw Val)	175	175	90	200	200	150			170	
Total Imports	175	175	168	200	200	200			230	
Total Supply	2,752	2,752	2,745	2,677	2,662	2,484			2,529	
Raw Exports	800	800	505	750	750	600			550	
Refined Exp.(Raw Val)	200	200	680	150	150	270			250	
Total Exports	1,000	1,000	1,185	900	900	870			800	
Human Dom. Consumption	1,650	1,585	1,525	1,680	1,585	1,560			1,590	
Other Disappearance	5	5	5	5	5	5			5	
Total Use	1,655	1,590	1,530	1,685	1,590	1,565			1,595	
Ending Stocks	97	162	30	92	172	49			134	
Total Distribution	2,752	2,752	2,745	2,677	2,662	2,484			2,529	

