Required Report: Required - Public Distribution **Date:** May 09, 2022

Report Number: SZ2022-0001

Report Name: Sugar Annual

Country: Eswatini

Post: Pretoria

Report Category: Sugar

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Report Highlights:

Post forecasts that sugar cane production in Eswatini (formerly Swaziland) will increase by 2 percent, to 5.3 million metric tons (MT) in the 2022/23 MY, based on good rainfall, increased available irrigation water, normal weather conditions, expanded planted area and consistent cane yields. Post forecasts that sugar production in the 2022/23 MY will increase by 2 percent, to 630,000 MT, up from 615,000 MT in the 2021/22 MY, based on an increase in sugar cane delivered to mills, better quality (sucrose content) of sugar cane, and improved sugar mill efficiencies (sugar recovery rate). Post expects that Eswatini will fully utilize its allocated U.S. sugar tariff rate quota in the 2022/23 MY and 2021/22 MY.

Commodities:
Sugar, Centrifugal
Sugar Cane for Centrifugal

Sources:
Eswatini Sugar Association – http://www.ssa.co.sz
Eswatini Canegrowers Association – http://www.ecga.co.sz/home.html
Illovo Sugar Ltd – http://www.illovo.co.za
RCL Sugar Company – https://rclfoods.com/brand/selati/
Aggregated data in Trade Data Monitor

MT = Metric Tons
MY = Marketing Year (April to March for sugar cane and May to April for sugar)
$1 = 14.85 Eswatini elangeni (SZL) as of April 20, 2022

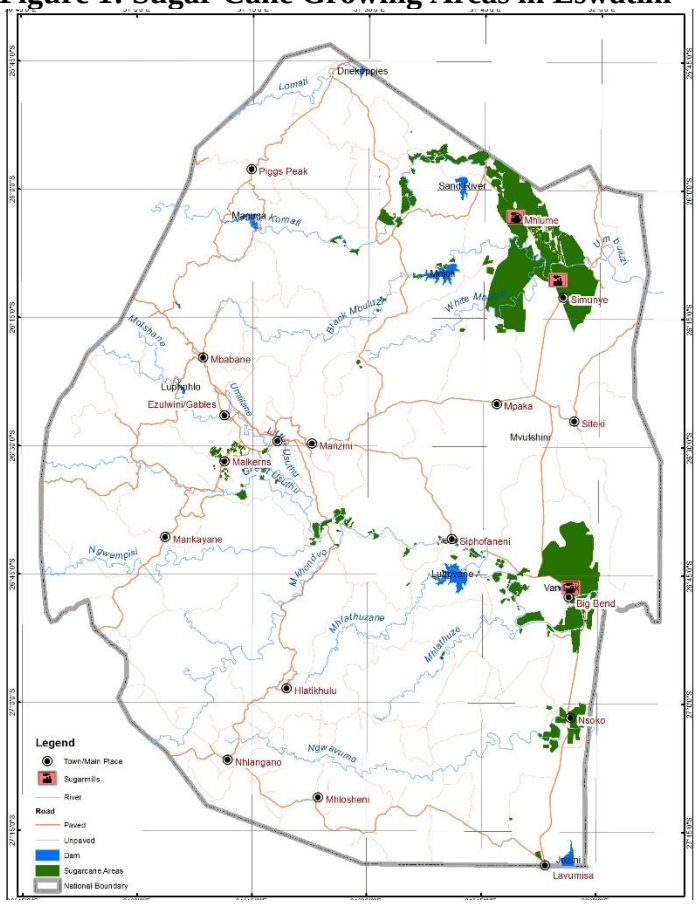
Background

Sugar cane in Eswatini (formerly Swaziland) is grown in the lowveld under irrigation, as shown in the areas highlighted with green in Figure 1. Lowveld is the name given to areas that lie at an elevation of between 500-2,000 feet (150-600 meters) above sea level. There are four categories of growers; sugar estates owned by the sugar mills, large-scale growers, medium-size growers, and **s**mallholder growers**.** There is no industry agreed definition of growers in Eswatini, however, growers are generally classified by the size of their farms. Smallholder growers have **less** than 50 hectares, medium-size growers have farms that are between 50-1,000 hectares, and large-scale growers have farms greater than 1,000 hectares. Miller-owned estates contribute the largest share of sugar cane production (49 percent), followed by smallholder growers (21 percent), large-scale growers (18 percent), and medium-size growers (12 percent)**.**

The main stakeholders and structure of the Eswatini sugar industry are presented in **Figure 2**. The Eswatini Sugar Association (ESA) is the highest decision-making authority on common issues for sugar cane growers and sugar millers. ESA provides support services to the entire industry's value chain, which includes marketing of all sugar and molasses, agricultural research and extension, cane testing, warehousing and distribution, and policy advocacy. The Eswatini Cane Growers Association represents the interest of all growers excluding miller-owned estates.

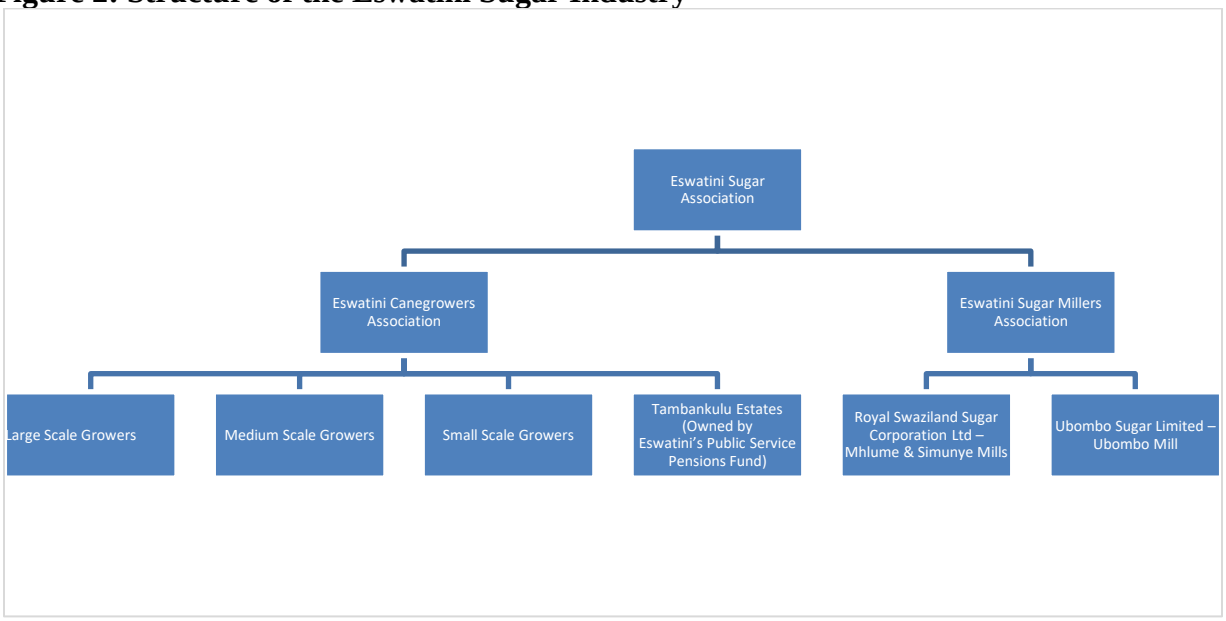
There are three sugar mills in Eswatini owned two companies: The Royal Swaziland Sugar Corporation Ltd (Mhlume and Simunye mills) and Ubombo Sugar Limited (Ubombo mill), as presented in **Figure 2**. South African-based RCL Sugar Company co-owns the Royal Swaziland Sugar Corporation Ltd, while Illovo Sugar Ltd owns Ubombo Sugar Limited. These mills are members of the Eswatini Millers Association.

Figure 1: Sugar Cane Growing Areas in Eswatini



Source: Eswatini Cane Growers Association

Figure 2: Structure of the Eswatini Sugar Industry



Source: Eswatini Sugar Association & Eswatini Cane Growers Association

Sugar Cane:

Production

Post forecasts that sugar cane production in Eswatini will increase by 2 percent to 5.3 million MT in the 2022/23 MY, up from 5.2 million MT in the 2021/22 MY. This is based on good rainfall, increased available irrigation water, normal weather conditions, expanded planted area, and consistent cane yields. Post revises the 2021/22 MY sugar cane production downwards due to poor climate conditions (high rainfall led to low solar radiation levels) that reduced cane yields, as well as riots in the country that led to the burning of some sugar cane fields. There is no commercial sugar beet production in Eswatini. The impact of COVID-19 on sugar cane production is minimal as operations have typically been able to proceed normally; this is expected to continue in the 2022/23 MY.

Table 1 shows the production of sugar cane and cane yields in Eswatini since the 2013/14 MY. The low yields in the 2016/17 and 2017/18 MYs are due to the impact of the drought.

Table 1: Sugar Cane Production and Yields in Eswatini

Marketing Year	Cane Production (MT)	Planted Area (Ha)	Harvested Area (Ha)	Cane Yield (MT/Ha)
2013/14	5,591,830	58,979	55,478	101
2014/15	5,639,193	59,586	56,438	100
2015/16	5,836,553	59,924	57,685	101
2016/17	4,973,571	61,073	56,420	88
2017/18	5,405,151	62,000	57,700	94
2018/19	6,197,753	65,000	59,520	104
2019/20	5,690,255	68,000	60,000	95
2020/21	5,759,016	60,424	58,523	98
2021/22*	5,266,602	58,849	57,048	92
2022/2023**	5,334,000	62,000	61,000	87

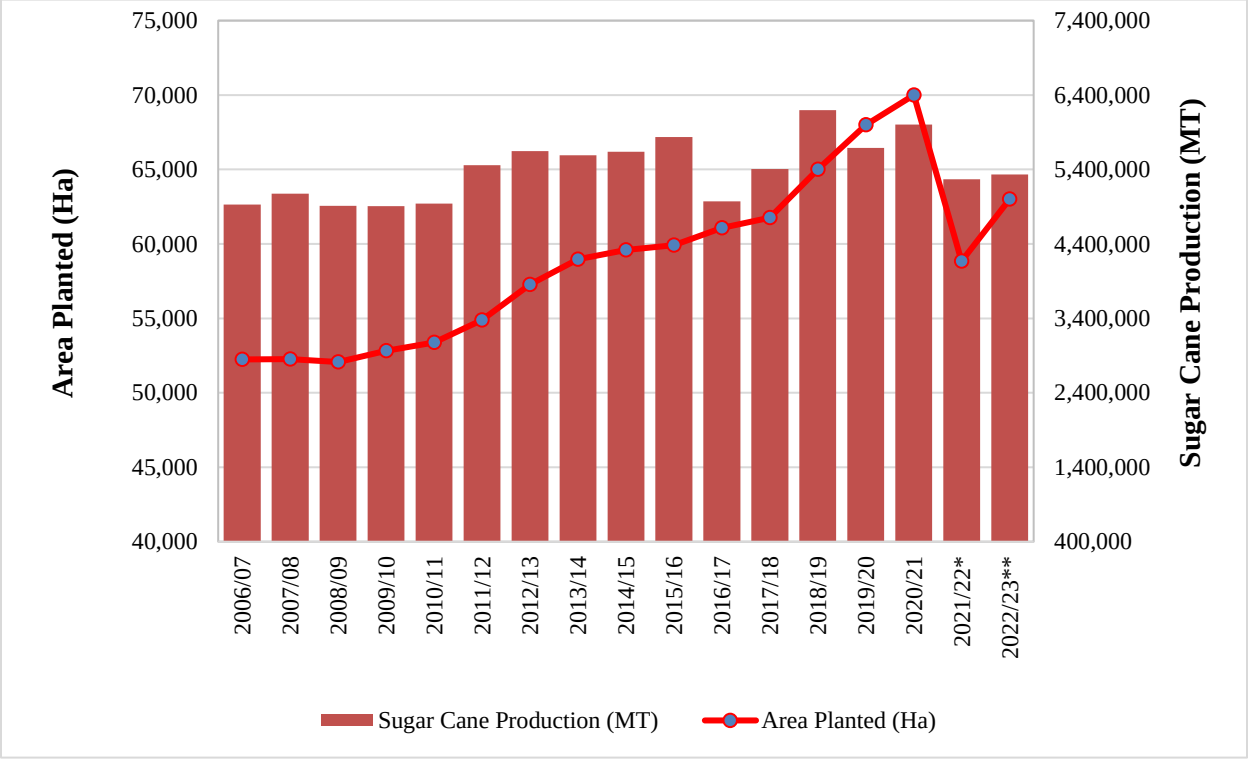
***Post Estimate **Post Forecast**
Source: Eswatini Sugar Association, Eswatini Cane Growers Association & Post Forecasts

Eswatini's sugar cane planted area is forecast to increase by 5 percent to 62,000 hectares (ha) in the 2022/23 MY, up from 58,849 ha in the previous season. This is due to an increase in area planted by the Royal Eswatini Sugar Corporation and by small-scale growers under the Lower Usuthu Irrigation Project (LUSIP), as well as increases in area planted in communal lands (known as Eswatini National Lands) supported by milling companies, the Eswatini Cane Growers Association, and development funding from the EU. The EU has allocated at least €120 million ($132 million) to Eswatini for agriculture projects to improve the competitiveness of the sugar industry while also trying to reduce poverty in sugar-producing regions.

The Eswatini sugar industry is also undergoing an expansion of area driven by new dams being built by the Eswatini Water and Agricultural Development Enterprise (Eswade). Eswade is a government-owned company established by the Government of Eswatini in 1999 to facilitate the planning and implementation of large water and agricultural development projects, including building dams and

irrigation infrastructure to support agricultural production. The impact is evident on the growth of area planted to sugar cane and production, as shown in **Figure 3**. However, decreases in area planted are also expected for farmers located at least 100 kilometers from the mills, many of whom are diversifying to macadamia production due to its attractive returns.

Figure 3: Area Planted to Sugarcane in Eswatini



***Post Estimate **Post Forecast**

Source: Eswatini Sugar Association, Eswatini Cane growers Association, & Post Forecasts

Table 2: Production, Supply, and Distribution (PS&D) for Sugar Cane

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Begin Year	Apr 2021		Apr 2022		Apr 2023	
Eswatini	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	70	70	72	58	0	63
Area Harvested	61	61	62	57	0	58
Production	6002	6002	6070	5266	0	5334
Total Supply	6002	6002	6070	5266	0	5334
Utilization for Sugar	6002	6002	6070	5266	0	5334
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	6002	6002	6070	5266	0	5334
(1000 HA), (1000 MT)						

Sugar:

Production

Post forecasts that sugar production will increase by 2 percent to 630,000 MT in the 2022/23 MY, up from 615,000 MT in the 2021/22 MY, based on an increase in sugar cane delivered to the sugar mills, extension of the crushing season and improved sugar mill efficiencies offset by a slight year-over-year decrease in sugar mill efficiencies (sugar recovery rate). Sugar recovery rate refers to the number of kilograms (kg) of sugar obtained from a metric ton of sugar cane, expressed as a percentage. **Table 3** shows that the factory recoveries rate is expected to slightly increase to 11.8 percent in the 2022/23 MY, from 11.6 percent in the 2021/22 MY. This is based on an increase in the global price of inputs like fertilizers, the cost of which is already high for small-scale farmers. Sugar milling companies are pushing to reduce production costs and improve their financial performance as they are under pressure from the declining global sugar prices. Sugar mills were classified as an essential service during the COVID-19 pandemic, and operations followed a normal schedule in the 2022/23 MY and 2021/22 MY.

Table 3: Sugar Production and Sugar Recovery Rates (Sugar/Cane Ratio)

Marketing Year	Cane Crushed (MT)	Sugar Produced (MT)	Sugar/Cane Ratio (Percentage)
2013/14	5,591,830	653,337	11.68%
2014/15	5,639,193	686,778	12.18%
2015/16	5,836,553	695,408	11.91%
2016/17	4,973,571	587,004	11.8%
2017/18	5,405,151	650,125	12.03%
2018/19	6,197,753	746,983	12.05%
2019/20	5,690,255	673,369	11.83%
2020/21	6,001,618	690,000	11.5%
2021/22*	5,266,602	613,000	11.64%
2022/23**	5,334,000	630,000	11.81%

***Post Estimate **Post Forecast**

Source: Eswatini Sugar Association, Eswatini Cane growers Association & Post Forecasts

Consumption

Eswatini's human domestic consumption of sugar is forecast to increase by 1 percent to 72,000 MT in the 2022/23 MY up from 71,000 MT in the 2021/22 MY, based on population growth and continued demand of sugar for home consumption. The Eswatini Sugar Association is responsible for selling all the raw and refined sugar produced in Eswatini on behalf of the growers and millers.

The wholesale price of white sugar is about SZL7,570/MT ($505/MT) in the 2022/23 MY. The retail price of sugar is based on private negotiations between pre-packers and retailers, and ranges from about SZL16/kg ($1.09/kg) to SZL20/kg ($1.36/kg).

Annual per capita consumption of sugar in Eswatini is forecast to remain flat at 40 kg in the 2022/23 MY, based on economic growth forecasts and improved market access in the remote areas of the country, which are now serviced by large retail groups such as Shoprite under the Usave brand. Eswatini sugar consumption remains relatively low compared to other countries, such as South Africa (45 kg) and the United States (68 to 77 kg).

Eswatini has always enjoyed strong demand from food and beverage manufactures who use sugar as one of their main ingredients. Trade sources indicate that the impact of artificial sweeteners on sugar consumption has been insignificant, and the Eswatini sugar industry is not concerned at this stage. However, given the increasing trend of using artificial sweeteners in South Africa, in the long run it is expected that Eswatini manufacturers may also adopt the use of artificial sweeteners to remain competitive.

The main food and beverage manufacturers that utilize sugar in Eswatini are Bromor Foods, Kraft Foods (previously Cadbury), Ngwane Mills, Parmalat, and Eswatini Fruit Canners – Swazican. There are two boutique companies that use sugar to produce limited quantities of rum, vodka, and craft gin in Eswatini.

Trade:

Exports

Post forecasts that sugar exports will increase by 4 percent to 545,000 MT in the 2022/23 MY, up from 524,000 MT in the 2021/22 MY, based on increased production, the sugar industry's campaign to increase access in the regional markets, and global demand. Please note, refined sugar exports in this report have been converted to raw sugar values using a factor of 1.07.

The Eswatini Sugar Association is responsible for exporting all the raw sugar produced in the country. South Africa is the leading market for Eswatini sugar exports and accounted for 57 percent of the total exports in the 2020/21 MY, followed by the EU (16 percent), United Kingdom (13 percent), Kenya (6 percent) and United States (4 percent). These markets are expected to remain the primary destinations for Eswatini sugar exports in the 2021/22 MY and 2022/23 MY. Interventions by the South African sugar industry to reduce sugar imports seem to have slowed the growth of Eswatini exports to South Africa, and this is expected to continue in the 2022/23 MY. However, Eswatini sugar exports to South Africa will continue to flow based arrangements under the South African Customs Union (SACU), which includes South Africa, Eswatini, Lesotho, Botswana, and Namibia.

SACU is the most important market for the Eswatini sugar industry, accounting for between 45-70 percent of Eswatini sugar exports, with the majority of exported supplies going to South Africa, the largest economy in the region. However, Eswatini is undergoing increasing pressure from other SACU members who are pushing to be offered lower prices or be allowed to import cheaper sugar from Brazil and the United Arab Emirates (UAE). The UAE does not produce sugar, rather it imports sugar for re-export.

Eswatini is a beneficiary of the U.S. tariff rate quota (TRQ), which allows it to export raw sugar duty-free to the United States. The annual Eswatini TRQ allocation of 16,849 MT has remained constant over the last several years, and the country consistently utilizes its quota allocation each year. Post expects Eswatini to fully utilize its TRQ allocations the 2021/22 and 2022/23 MYs.

The amount of future raw sugar exports from Eswatini to Europe are uncertain, given the changes in EU domestic sugar policies, mainly, the removal of restrictions for domestic sugar beet production and the end of the preferential prices for sugar imports from least developed countries. These changes have resulted in an increase in sugar production in the EU, decreased sugar prices in Europe, and a subsequent decrease in EU imports from other countries over time. Eswatini has a quota free and duty-free market access for sugar exports to the EU as they are a member of the Southern African Development Community-EU Economic Partnership Agreement (SADC-EU EPA).

Prior to the 2018/19 MY, Eswatini enjoyed duty-free access to the East African market based on its membership in the Common Market for Eastern and Southern Africa (COMESA). However, this privilege was withdrawn due to Eswatini`s membership in the Southern African Development Community (SADC) and Southern African Customs Union (SACU), which do not enjoy duty-free access in COMESA. This resulted in a temporary decline in exports to East Africa in the 2018/19 MY, but exports to the region rebounded in the 2019/20 MY.

Table 4: Raw Sugar Exports

Eswatini Exports to the World					
Commodity: Raw Sugar HS170111, HS170112, HS170113, HS170114					
Year Ending Plus: May - April					
Reporter	**Unit**	**2018/19**	**2019/20**	**2020/21**	**2021/22***
World	T	543,842	711,836	612,689	422,204
South Africa	T	292,107	352,647	351,622	297,181
EU	T	174,141	210,410	100,184	86,669
United Kingdom	T	0	55,220	80,875	4,643
Kenya	T	22,980	68,717	38,807	6,000
United States	T	16,061	18,424	24,265	19,986
Botswana	T	3,552	5,548	13,896	3,674
Namibia	T	181	180	1,212	679
China	T	34,000	0	0	0
Others		0	0	323	34

Source: Trade Data Monitor *Export data through March 2022

Table 5: Refined Sugar Exports

Eswatini Exports to the World					
Commodity: Refined Sugar HS170191, HS170199					
Year Ending Plus: May - April					
Reporter	**Unit**	**2018/19**	**2019/20**	**2020/21**	**2021/22***
World	T	76,958	60,290	49,222	50,215
South Africa	T	66,418	41,978	27,713	20,083
Kenya	T	6,206	10,165	16,887	25,083
Namibia	T	2,441	7,183	4,503	4,954
EU 27	T	1,702	668	108	79
Saudi Arabia	T	0	0	5	7
Russia	T	4	3	3	2
South Korea	T	2	2	2	1
Switzerland	T	184	3	1	0
Mauritius	T	0	289	0	0

Source: Trade Data Monitor *Export data through March 2022

Imports

Eswatini sugar imports are minimal due to the country's high production volumes, which typically far exceed domestic consumption. Eswatini imports are mainly from South Africa and are less than 1,000 MT per marketing year.

Stocks

Post forecasts that closing stocks will increase significantly to 59,000 MT in the 2022/23 MY, up from 47,000 MT in the 2021/22 MY, based on a rebound in production volumes year-over-year. The Eswatini Sugar Association owns the closing stocks of unsold sugar at the end of the season. Stocks held by retailers, wholesalers, and pre-packers are considered sold at the end of the season. Large ending stocks of above 40,000 MT pose a challenge to the industry as the Eswatini Sugar Association must pay storage fees for such sugar and compensate millers and growers as all the sugar must be sold at the end of each season.

Table 6: PS&D for Sugar

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	May 2020		May 2021		May 2022	
Eswatini	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	43	43	28	28	0	47
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	690	690	700	615	0	630
Total Sugar Production (1000 MT)	690	690	700	615	0	630
Raw Imports (1000 MT)	1	1	1	1	0	1
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	1	1	1	1	0	1
Total Supply (1000 MT)	734	734	729	644	0	678
Raw Exports (1000 MT)	590	590	600	480	0	500
Refined Exp.(Raw Val) (1000 MT)	44	44	45	44	0	45
Total Exports (1000 MT)	634	634	645	524	0	545
Human Dom. Consumption (1000 MT)	70	70	71	71	0	72
Other Disappearance (1000 MT)	2	2	2	2	0	2
Total Use (1000 MT)	72	72	73	73	0	74
Ending Stocks (1000 MT)	28	28	11	47	0	59
Total Distribution (1000 MT)	734	734	729	644	0	678
(1000 MT)						

Policy and Regulations:

Electricity Cogeneration

The Eswatini sugar industry uses bagasse to generate electricity, which is used by sugar mills during peak production periods. None of the electricity generated from the sugar mills is supplied to the national electricity grid due to the absence of appropriate incentives and policy by the state-controlled Eswatini Electricity Company. Eswatini sugar cane growers are currently not compensated for the bagasse used in electricity production, and there have been drawn-out industry discussions to change these terms.

Ethanol Production

There is currently no commercial production of fuel-grade ethanol from sugar cane in Eswatini. However, one of the country's sugar mills, RES Corporation, and an independent distiller, USA Distillers produce beverage-grade ethanol, neutral ethyl alcohol for high-value applications, and feints (used for the manufacturing of methylated spirit). It is expected that ethanol production will continue to increase in Eswatini based on the increase in sugar production in the 2022/23 MY.

Sugar Marketing and Sales

The Eswatini Sugar Association is responsible for *marketing* of all the *sugar* (both raw and refined) produced in Eswatini. The revenue obtained through the sale of sugar and molasses is shared between growers and millers based on an agreed process and formula guided by the Sugar Act of 1967 and Eswatini Sugar Agreement. The Eswatini Sugar Association provides a rebate (discount) to value-adding industries located within Eswatini to encourage and support domestic sugar sales.

Innovation and Diversification

The Eswatini Sugar Association launched a new low glycemic index sugar called Nucane in March 2022. This is part of the diversification strategy to supply the world's demand for healthy carbohydrates. The EU is the target market for this specialty sugar.

U.S. Sugar TRQ

The United States allows duty-free access for Eswatini raw sugar exports under the TRQ program. The total TRQ allocation offered to Eswatini is 16,849 MT annually, and the country always utilizes its full quota allocation, as well as any additional re-allocations. Prices in the U.S. market remain attractive compared to other countries. Post forecasts that Eswatini will fully utilize its allocated TRQ in the 2021/22 and 2022/23 MYs.

European Union

The EU has historically been an important market for the Eswatini sugar industry, accounting for 24-55 percent of exports. However, changes in the EU domestic sugar policy have resulted in low sugar prices and returns from this market. The key changes in the EU domestic sugar policies include removal of restrictions for domestic sugar beet production and an end to the preferential prices that were previously

extended to least developed countries, including Eswatini. Such changes have resulted in an increased sugar production in the EU, as well as decreased in sugar prices and a subsequent decrease in EU imports. As a result, Eswatini exports to the EU are expected to be inconsistent and may continue declining over time.

Customs Import Duties Applied to Eswatini Sugar Exports

Table 7: **Customs Duties**

HST Code	CD	Product	Unit	Rate of Duty (c/kg)				
				General	EU	EFTA	SADC	MERCOSUR
17.01		**Cane or beet sugar and chemically pure sucrose, in solid form:**						
1701.1		**Raw sugar not containing added flavoring or coloring matter:**						
1701.12	2	Beet sugar	Kg	418.61	418.61	418.61	418.61	418.61
1701.13	9	Cane sugar	Kg	418.61	418.61	418.61	418.61	418.61
1701.14	5	Other cane sugar	Kg	418.61	418.61	418.61	418.61	418.61
1701.9		**Other:**						
1701.91	2	Containing added flavoring or coloring matter	Kg	418.61	418.61	418.61	418.61	418.61
1701.99	3	Other	Kg	418.61	418.61	418.61	418.61	418.61

Source: South African Revenue Service

Attachments:

No Attachments