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Report Name: Sugar Annual

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Report Highlights:

Post forecasts that sugar cane production in Eswatini (formerly Swaziland) will increase marginally by 1 percent to 6.1 million Metric Tons (MT) in the 2021/22 Marketing Year (MY), based on good rainfall, increased available irrigation water, normal weather conditions, growth in the area planted and consistent cane yields. Post forecasts that sugar production will increase marginally by 1 percent to 700,000 MT in the 2021/22 MY, based on an increase in sugar cane delivered to the sugar 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 United States Tariff Rate Quota in the 2021/22 MY and 2020/21 MY.

Commodities:

Sugar, Centrifugal
Sugar Cane for Centrifugal

Sources:

Eswatini Sugar Association – <http://www.ssa.co.az>
Eswatini Canegrowers Association - <http://www.ecga.co.sz/home.html>
Illovo Sugar Ltd - <http://www.illovo.co.za>
Trade Data Monitor

MT – Metric Tons

MY – Marketing Year (April to March)

1US\$ = 14.62 Eswatini Elangeni (SZL) as at April 12, 2021

Eswatini = New country name for Swaziland.

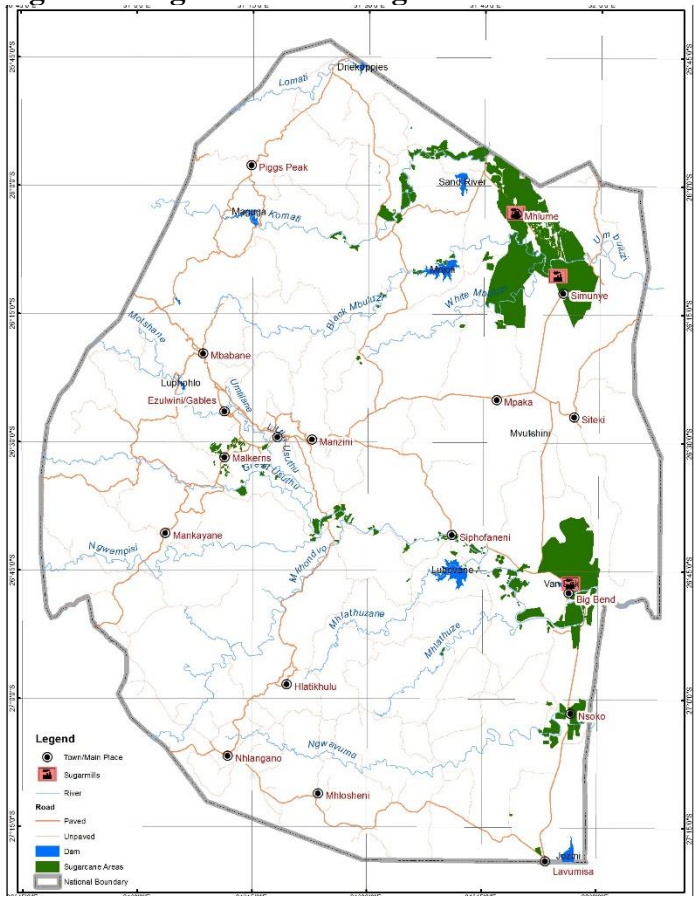
Background

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 and 2,000 feet (150 and 600 metres) above sea level. There are four categories of growers; sugar estates owned by the sugar mills, large scale growers, medium size growers, and small holder growers. Miller owned estates contribute the largest share of sugar cane production at 49 percent, followed by small holder growers (21 percent), large scale growers (18 percent), and medium size growers (12 percent). There is no industry agreed definition of growers in Eswatini, however, growers are generally classified by the size of their farms. Small holder growers have less than 50 hectares, medium size growers have farms that are between 50 to 1,000 hectares and large scale growers have farms greater than 1,000 hectares.

The main stakeholders and structure of the Eswatini sugar industry is presented in **Figure 2**. The Eswatini Sugar Association (ESA) is the highest decision making authority in the industry 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 the sugar and molasses, agricultural research and extension, cane testing, warehousing and distribution, and policy advocacy.

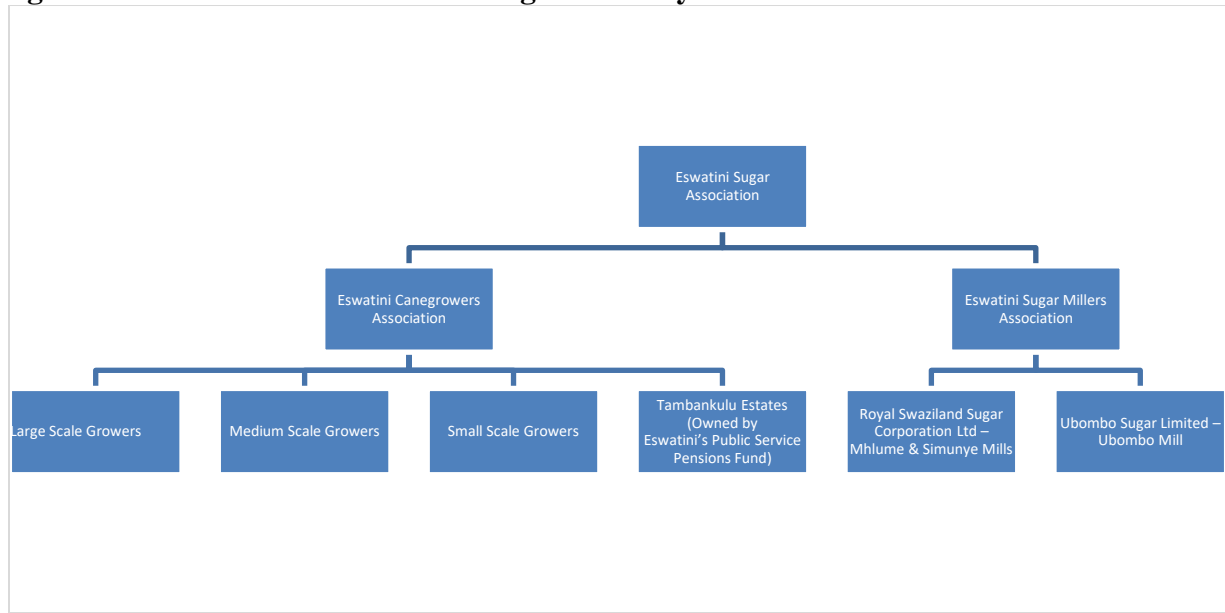
There are three sugar mills in Eswatini owned by Royal Swaziland Sugar Corporation Ltd (Mhlume and Simunye Mills) and Ubombo Sugar Limited (Ubombo Mill), as presented in **Figure 2**. South African based sugar company RCL Sugar Company co-owns the Royal Swaziland Sugar Corporation Ltd, while Illovo Sugar Ltd owns Ubombo Sugar Limited. These mills are members of the Eswatini Millers Association. The Eswatini Cane Growers Association represents the interest of all growers excluding Eswatini based miller owned estates.

Figure 1: Sugarcane Growing Areas in Eswatini



Source: Eswatini Canegrowers Association

Figure 2: Structure of the Eswatini Sugar Industry



Source: Eswatini Sugar Association & Eswatini Canegrowers Association

Sugarcane:

Production

Post forecasts that sugar cane production in Eswatini will increase marginally by 1 percent to 6.1 million MT in the 2021/22 MY, from 6.0 million MT in the 2020/21 MY. This is based on good rainfall, increased available irrigation water, normal weather conditions, growth in the area planted and consistent cane yields. The 2020/21 MY sugar cane production was slightly revised upwards due to higher than expected cane yields from newly planted sugar cane crop. There is no commercial sugar beet production in Eswatini. The impact of COVID-19 to sugar cane production is minimal as operations are proceeding normally and this is expected to continue in the 2021/22 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 MY and 2017/18 MY are due to the impact of the drought.

Table 1: The Production of Sugarcane and Cane Yields in Eswatini

Marketing Year	Cane crushed (MT)	Area Planted (Ha)	Area harvested (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*	6,001,618	70,000	61,000	98
2021/22**	6,070,000	72,000	62,000	98

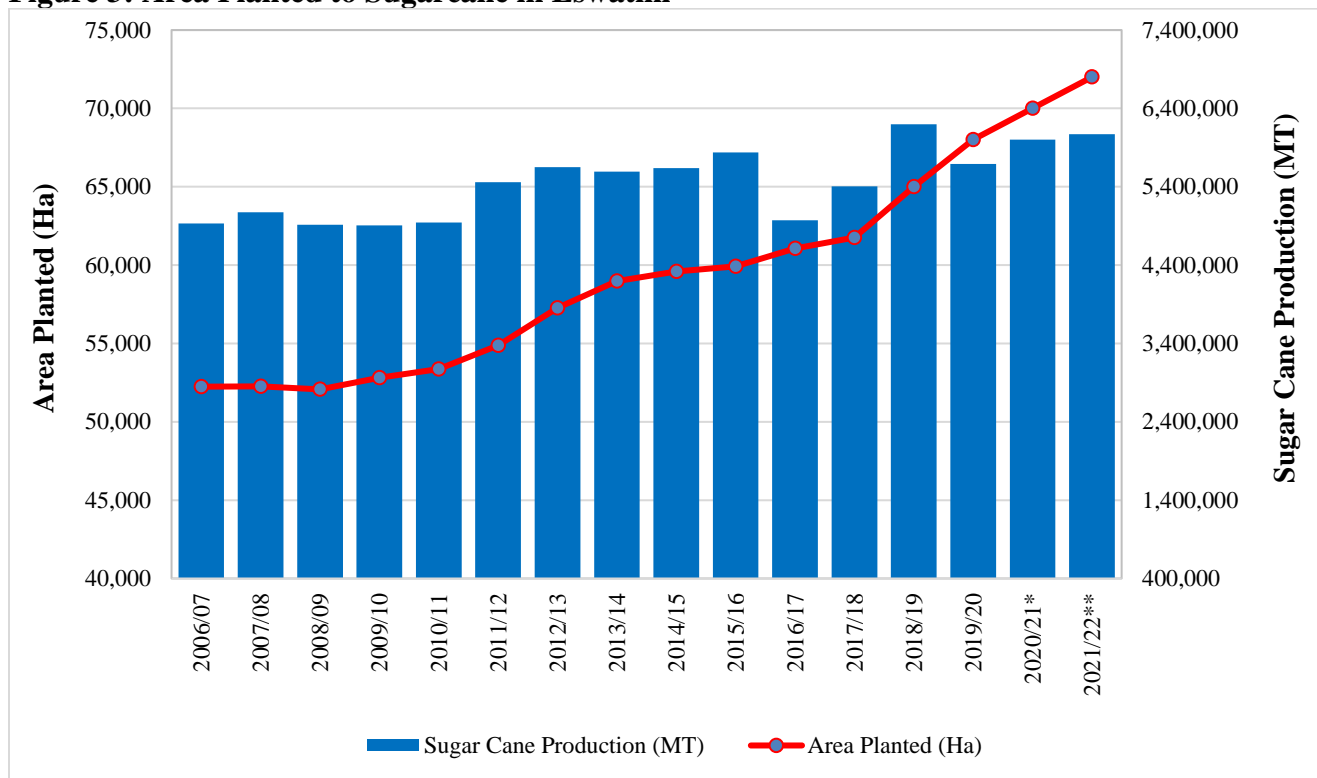
* Estimate.** Forecast.

Source: Eswatini Sugar Association, Eswatini Canegrowers Association & Post Forecasts.

The area planted to sugarcane is forecast to increase by 3 percent to 72,000 hectares (ha) in the 2021/22 MY, from 70,000 ha the previous season. This is due to the increases in area planted under communal lands (known as Eswatini National Lands) supported by milling companies, Eswatini Canegrowers Association, and development funding from the European Union (EU). The EU allocated at least €120 million (US\$ 132 million) to Eswatini for agriculture projects to improve the competitiveness of the sugar industry while also trying to reducing poverty in the sugar regions (https://eeas.europa.eu/delegations/eswatini/area/projects_en?page=1).

The Eswatini sugar industry is undergoing an expansion of area planted driven by new dams being built by the Eswatini Water and Agricultural Development Enterprise (Eswade). Eswade is a government 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 that Government may assign. The impact of building dams and irrigation infrastructure is evident on the growth of area planted to sugar cane and production as shown on **Figure 3**. However, decreases in area planted are also expected as some farmers located at least 100 km from the mills are diversifying to macadamia production due to its attractive returns.

Figure 3: Area Planted to Sugarcane in Eswatini



* Estimate.** Forecast.

Source: Eswatini Sugar Association, Eswatini Canegrowers Association, & Post Forecasts.

Table 2: Production, Supply and Demand (PS&D) for Sugarcane

Sugar Cane for Centrifugal Market Begin Year	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
Swaziland	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	68	68	70	70	0	72
Area Harvested	60	60	61	61	0	62
Production	5690	5690	6000	6002	0	6070
Total Supply	5690	5690	6000	6002	0	6070
Utilization for Sugar	5690	5690	6000	6002	0	6070
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	5690	5690	6000	6002	0	6070

(1000 HA) ,(1000 MT)

Sugar:

Production

Post forecasts that sugar production will increase marginally by 1 percent to 700,000 MT in the 2021/22 MY, from 690,000 MT in the 2020/21 MY, based on an increase in sugar cane delivered to the sugar mills, better quality (sucrose content) of sugar cane, and improved sugar mill efficiencies (sugar recovery rate). Sugar recovery rate refers to the number of kilos 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 improve to 11.53 percent in the 2021/22 MY, from 11.50 percent in the 2020/21 MY. Sugar milling companies are driving high efficiency targets in order to reduce the production costs and to 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 ongoing COVID-19 pandemic and operations followed a normal schedule in the 2021/22 MY and 2020/21 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	11.80%
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	11.50%
2021/22**	6,070,000	700,000	11.53%

* Estimate.** Forecast.

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

Consumption

Eswatini's local sugar consumption is forecast to increase marginally by 1 percent to 71,000 MT in the 2021/22 MY, from 70,000 MT in the 2020/21 MY, based on the increase in sugar production, population growth, and continued demand of sugar for home consumption. The 2020/21 MY consumption was revised upwards to 70,000 MT, based on higher than expected demand of sugar for home consumption during the lock downs to address COVID-19.

In the past years, Eswatini has always enjoyed strong demand from the food and beverage manufacturers who use sugar as one of their main ingredients. 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. 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 per capita consumption of sugar in Eswatini is forecast to remain flat at 40 kg/ year in the 2021/22 MY, based on the consumption forecast, economic growth forecasts and improved market access in the remote areas of the country which are now serviced by the large retail groups such as Shoprite under the Usave brand. The Eswatini per capita sugar consumption is still relatively low when compared to other countries such as South Africa (45 kg) and the United States (68 to 77 kg). The impact of artificial sweeteners on sugar is believed to be insignificant and has not raised any concern to the Eswatini sugar industry 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 wholesale price of white sugar is about SZL10,500/MT (US\$718/MT) in the 2021/22 MY. The retail price of sugar is based on private negotiations between pre-packers and retailers, and ranges from about SZL16 (US\$1.09) to SZL20 (US\$1.36) per kilogram.

Trade:

Exports

Post forecasts that sugar exports will increase by 2 percent to 645,000 MT in the 2021/22 MY, from 634,000 MT in the 2020/21 MY, based on the increase in production and minimal impact of COVID-19 on demand and the global supply chain. Interventions by the South African sugar industry to reduce sugar imports seems to have slowed down the growth of Eswatini exports to South Africa, and this is expected to continue in the 2021/22 MY. Notably, Eswatini sugar exports to South Africa are expected to continue based on the South African Customs Union (SACU) arrangements. Refined sugar exports have been converted to raw sugar values using a factor of 1.07.

South Africa is the leading market for Eswatini sugar exports and accounted for 53 percent of the total exports in the 2019/20 MY, followed by Europe (33 percent), Kenya (10 percent), and United States (3 percent). This is expected to continue in the 2020/21 MY and 2021/22 MY.

Eswatini is a beneficiary of the United States 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. Eswatini always utilizes its quota allocation each year, and is expected to fully utilize the 2021/22 MY and 2020/21 MY quota allocation.

The amount of future raw sugar exports from Eswatini to the EU are uncertain, given the changes in the EU domestic sugar policies, mainly, the removal of restrictions for domestic sugar beet production and ending the preferential prices for sugar imports from least developing countries. These changes have resulted in an increase in sugar production in the EU, decreases in sugar prices in the EU, and a decrease in EU imports from other countries over time. Eswatini has a TRQ for sugar in the EU.

Prior to the 2018/19 MY, Eswatini used to enjoy 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 the East African market in the 2018/19 MY. However, exports to East Africa returned to normal levels in the 2019/20 MY.

The Eswatini Sugar Association is responsible for exporting all the raw sugar produced in Eswatini. SACU is the most important market for the Eswatini sugar industry, accounting for between 45 – 70 percent of the Eswatini sugar exports. The SACU members include South Africa, Eswatini, Lesotho, Botswana, and Namibia. 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, and imports sugar for re-exports.

Table 4: Raw Sugar Exports

Eswatini Exports to the World					
Commodity: Raw Sugar HS170111, HS170112, HS170113, HS170114					
Year Ending Plus: April - March					
Reporter	Unit	2017/18	2018/19	2019/20	2020/21*
World	T	490,830	510,041	713,321	561,420
South Africa	T	256,174	284,383	353,235	331,273
EU 27	T	79,065	152,746	227,715	80,943
United Kingdom	T	25,200	0	35,000	80,220
Kenya	T	66,475	18,482	73,215	28,803
United States	T	23,271	16,061	18,424	24,265
Botswana	T	953	3,048	4,863	13,896
Namibia	T	0	181	72	1,114
Switzerland	T	182	1,129	767	581
Canada	T	7	4	19	313
Brazil	T	0	0	1	5
New Zealand	T	0	0	0	3
Mexico	T	3	4	7	2
China	T	39,500	34,000	0	0

*Export figures up to February 2021.

Source: Trade Data Monitor

Table 5: Refined Sugar Exports

Eswatini Exports to the World					
Commodity: Refined Sugar HS170191, HS170199					
Year Ending Plus: April - March					
Reporter	Unit	2017/18	2018/19	2019/20	2020/21*
World	T	27,445	72,353	65,036	39,763
South Africa	T	27,371	62,205	46,657	26,708
Kenya	T	0	5,404	10,433	9,416
Namibia	T	0	1,909	6,982	3,633
Russia	T	3	4	3	2
Switzerland	T	69	184	3	2
Mauritius	T	0	0	289	0
EU 27	T	0	2,646	667	0

*Export figures up to February 2021.

Source: Trade Data Monitor

Imports

Eswatini sugar imports are minimal due to the large available sugar stocks, and high production relative to the low national 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 decrease significantly to 11,000 MT in the 2021/22 MY, from 28,000 MT in the 2020/21 MY, based on the increase in exports and consumption. 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 has to pay storage fees for such sugar, and compensate millers and growers as all the sugar is has to be sold at the end of each season.

Table 6: PS&D for Sugar

Sugar, Centrifugal Market Begin Year Swaziland	2019/2020		2020/2021		2021/2022	
	Apr 2019		Apr 2020		Apr 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	203	203	161	43		28
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	673	673	720	690		700
Total Sugar Production	673	673	720	690		700
Raw Imports	1	1	1	1		1
Refined Imp.(Raw Val)	0	0	0	0		0
Total Imports	1	1	1	1		1
Total Supply	877	877	882	734		729
Raw Exports	600	713	590	590		600
Refined Exp.(Raw Val)	60	65	60	44		45
Total Exports	660	778	650	634		645
Human Dom. Consumption	54	54	54	70		71
Other Disappearance	2	2	2	2		2
Total Use	56	56	56	72		73
Ending Stocks	161	43	176	28		11
Total Distribution	877	877	882	734		729

(1000 MT)

Policy and Regulations:

Electricity Co-generation

The Eswatini sugar industry uses bagasse to generate electricity which is fed back to the 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 government or state controlled Eswatini Electricity Company. The Eswatini sugar cane growers are currently not being compensated for the bagasse used in electricity production, and there have been drawn-out ongoing industry discussions to remedy this situation.

Ethanol Production

There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in Eswatini. However, one of the sugar mills (<http://www.rssc.co.sz/products/ethanol.php>) and an independent distiller (<https://www.usadistillers.com/contact>) 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 2021/22 MY.

Sugar Marketing and Sales

The Eswatini Sugar Association is responsible for the 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.

United States Sugar Tariff Rate Quota Allocation

The United States allows duty free access for Eswatini raw sugar exports under the Tariff Rate Quota (TRQ) program. The total TRQ allocation offered to Eswatini is 16,849 MT annually. Eswatini always utilizes its full quota allocation and additional re-allocations as the U.S. market remains attractive as compared to other global markets. Post forecasts that Eswatini will fully utilize its allocated TRQ in the 2021/22 MY and 2020/21 MY.

European Union

The European Union (EU) has historically been an important market for the Eswatini sugar industry, accounting for between 24 – 55 percent of the Eswatini sugar sales. However, the 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 the removal of restrictions for domestic sugar beet production, and ending the preferential prices that was previously extended to least developed countries including Eswatini. Such changes have resulted in an increase in sugar production, decreases in sugar prices in the EU, and a decrease in EU imports from other countries over time. As a result, Eswatini exports to the EU are expected to be inconsistent and may continue declining over time.

Customs Import Duties

Table 7: Customs Duties

Heading/ Subheading	CD	Article Description	Statistical 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