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Eswatini (Formerly Swaziland)

Sugar Annual

Rapid Expansion of the Eswatini Sugar Industry Continues

Approved By:

Laura Geller, Senior Agricultural Attaché

Prepared By:

Wellington Sikuka, Agricultural Specialist

Report Highlights:

Post forecasts that sugar cane production in Eswatini will increase by 7 percent to 6.5 million Metric Tons (MT) in the 2019/20 MY, due to good rainfall, increased available irrigation water, improvements in cane yields, and growth in the area planted. Post forecasts that the Eswatini sugar production will increase by 10 percent to 800,000 MT in the 2019/20 MY, based on an increase in sugar cane delivered to the sugar mills, better quality (sucrose content) of sugar cane, and improved mill efficiencies. As a result, Eswatini's sugar exports are forecast to increase by 12 percent to 760,000 MT in the 2019/20 MY. Post forecasts that Eswatini will fully utilize its allocated United States Tariff Rate Quota (TRQ) in the 2018/19 MY and 2019/20 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>

Tongaat Hulett - <http://www.huletts.co.za>

Global Trade Atlas (GTA).

MT – Metric Tons

MY – Marketing Year (April to March)

1US\$ = 14 Swaziland Elangeni (SZL)

Eswatini = New country name for Swaziland.

Background

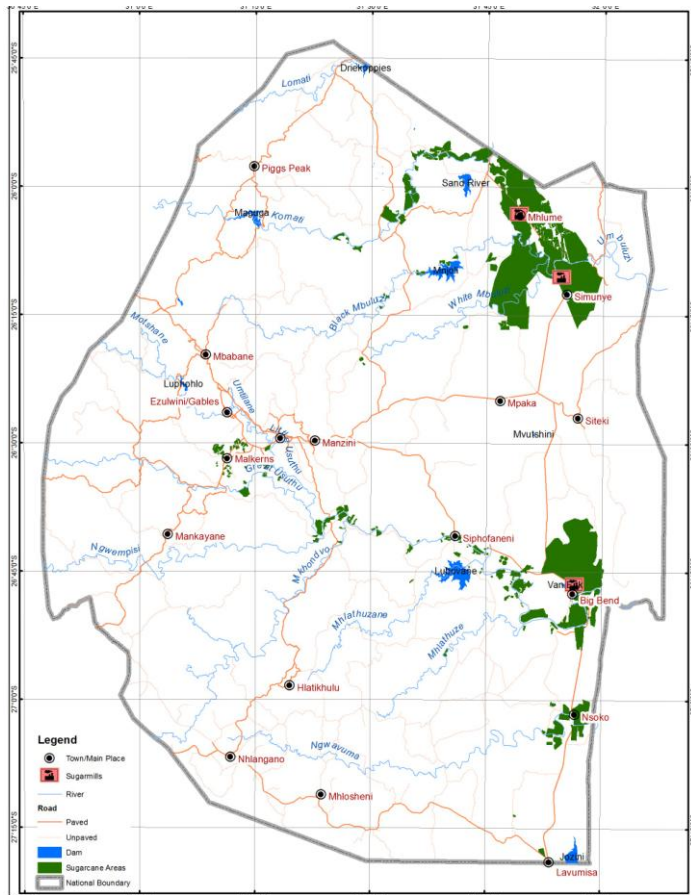
Sugar cane in Eswatini is grown in the lowveld (elevation under 2,000 feet above sea level) under irrigation as shown in the areas highlighted with green in **Figure 1**. There are four categories of growers; sugar estates owned by the sugar mills, large scale growers, medium size growers, and small 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, including miller owned estates, 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 Tsb 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.

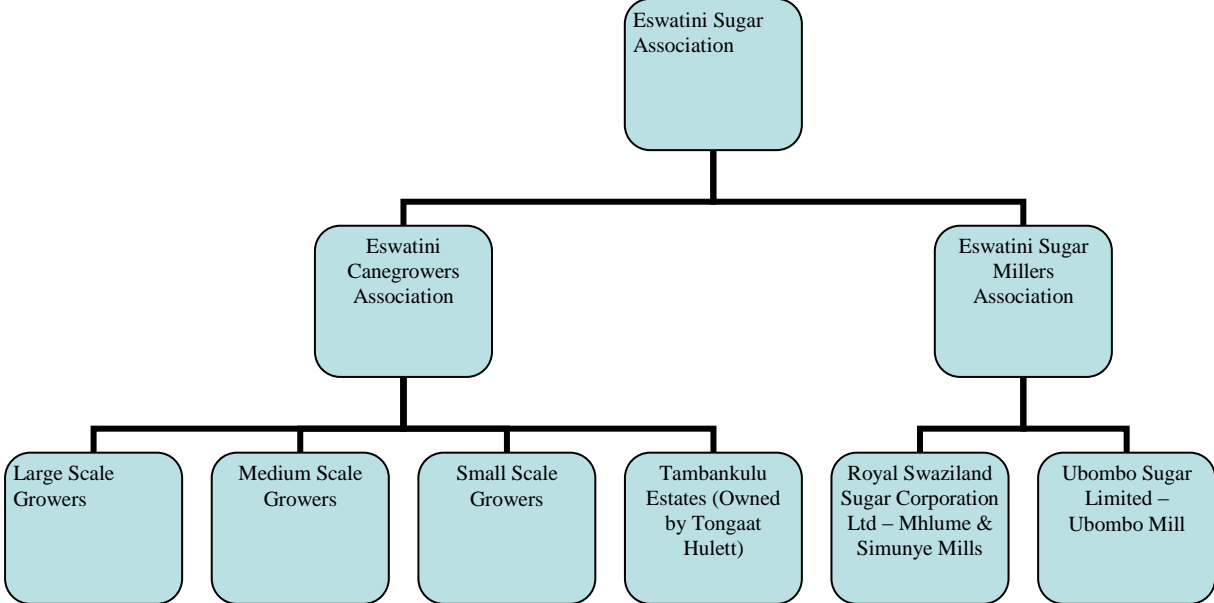
The Eswatini Cane Growers Association represents the interest of all growers excluding Eswatini based miller owned estates. It is to be noted that South African-based sugar milling company Tongaat Hulett owns Tambankulu Estates which is a member Eswatini Cane Growers Association.

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 by 7 percent to 6.5 million MT in the 2019/20 MY, from 6.1 million MT in the 2018/19 MY. This is due to good rainfall, increased available irrigation water, improvements in cane yields, and growth in the area planted. The 2018/19 MY sugar cane production was revised upwards due to higher than expected cane yields. There is no commercial sugar beet production in Eswatini.

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

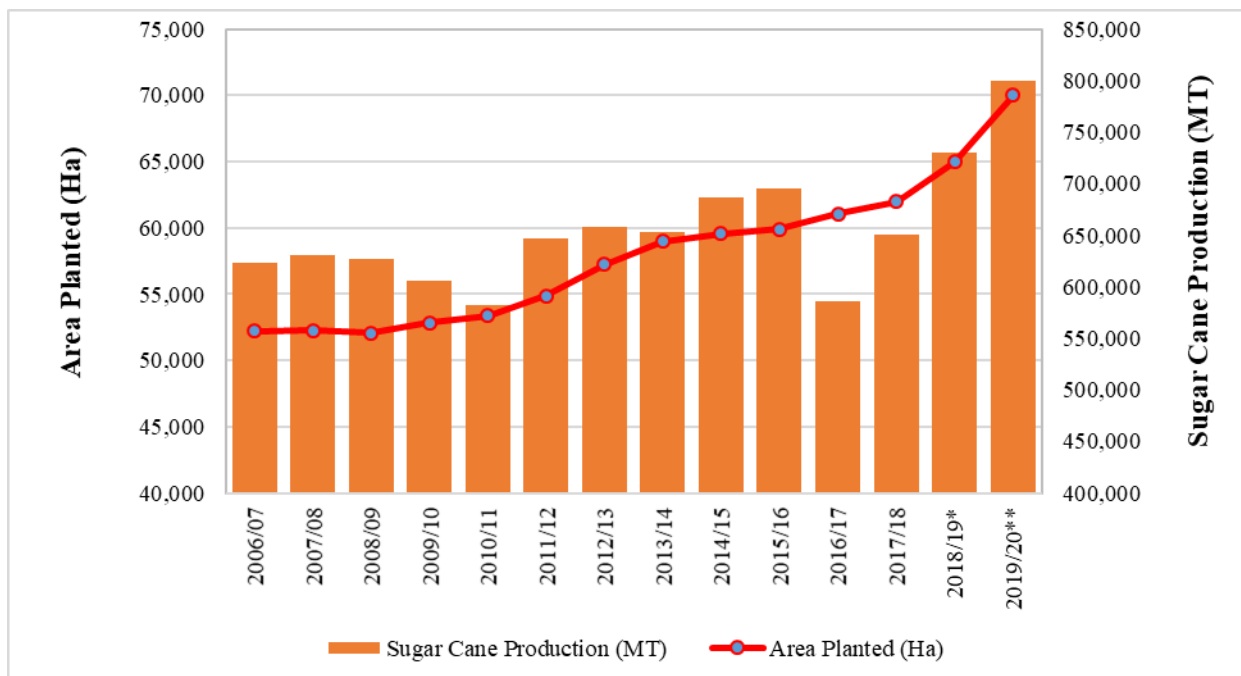
Marketing Year	Cane crushed (MT)	Area Planted (Ha)	Area harvested (Ha)	Cane Yield (MT/Ha)
2013/14	5,591,830	58,979	55,478	101
2014/15	5,639,193	59,586	56,438	100
2015/16	5,836,553	59,924	57,685	101
2016/17	4,973,571	61,073	56,420	88
2017/18	5,405,000	62,000	57,700	94
2018/19*	6,097,214	65,000	60,000	102
2019/20**	6,500,000	70,000	63,000	103

* Estimate. ** Forecast.

Source: Eswatini Sugar Association, and Eswatini Canegrowers Association.

The area planted to sugarcane is forecast to increase by 8 percent to 70,000 hectares (ha) in the 2019/20 MY, from 62,000 ha in the 2018/19 MY. 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 developmental funding from the European Union (EU). The EU allocated at least €120 million to Eswatini for agriculture projects and initiatives to enhance the competitiveness of Swaziland's 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**. The 2019/20 MY sugar cane production is forecast to reach an industry peak.

Figure 3: Area Planted to Sugarcane in Eswatini



* Estimate. ** Forecast.

Source: Eswatini Sugar Association, Eswatini Canegrowers Association.

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

Sugar Cane for Centrifugal Market Begin Year	2017/2018		2018/2019		2019/2020	
	Apr 2017		Apr 2018		Apr 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Eswatini						
Area Planted	62	62	65	65	0	70
Area Harvested	58	58	60	60	0	62
Production	5405	5405	5700	6097	0	6500
Total Supply	5405	5405	5700	6097	0	6500
Utilization for Sugar	5405	5405	5700	6097	0	6500
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	5405	5405	5700	6097	0	6500

(1000 HA) ,(1000 MT)

Sugar:

Production

Post forecasts that the Eswatini sugar production will increase by 10 percent to 800,000 MT in the 2019/20 MY, from 730,000 MT in the 2018/19 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. The 2018/19 MY sugar production was revised upwards to 730,000 MT based on higher than expected sugar cane delivered to the mills for crushing. **Table 3** shows that the factory recoveries will improve to 12.31 percent in the 2019/20 MY, from 12.03 percent in the 2018/19 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.

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	5,405,000	650,125	12.03%
2018/19*	6,097,214	730,000	11.97%
2019/20**	6,500,000	800,000	12.31%

* Estimate. ** Forecast. Source: Eswatini Sugar Association, Eswatini Canegrowers Association.

Consumption

Eswatini's local sugar consumption is forecast to grow by 2 percent to 54,000 MT in the 2019/20 MY, from 53,000 MT in the 2018/19 MY, based on an increase in population (average of 1.8 percent), and 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 grow to 38 kg/ year in the 2019/20 MY, from 35 kg/ year in the 2018/19 MY, based on the 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 SZL9,000/MT (US\$ 642/MT) in the 2018/19 MY. The retail price of sugar is based on private negotiations between pre-packers and retailers, and ranges from about SZL14 (US\$1.00) to SZL18 (US\$1.29) per kilogram.

Trade:

Exports

Post forecasts that Eswatini's sugar exports will increase by 12 percent to 760,000 MT in the 2019/20 MY, from 680,000 MT in the 2018/19 MY, based on the increase in sugar production and large available stocks. The 2018/19 MY exports were revised downwards due to lower than expected sales to the European Union (EU) and East Africa, and pace of exports up to February 2019.

The low sugar prices in the EU and changes in the EU's domestic sugar policies are the main reasons for the decline in EU exports. 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 access for sugar imports from least developing countries. It is expected that such changes may result in an increase in sugar production in the EU, decreases in sugar prices in the EU, and possibly a decrease in EU imports from other countries over time.

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 reduced exports to the East African market.

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. Eswatini exports to South Africa have not been impacted by the tax on sugar sweetened beverages in South Africa, and industry does not expect the tax to have an impact to the 2019/20 MY exports as their South African customers are not from the beverage industry. Information on the impact of the tax on sugar sweetened beverages may be obtained from the following GAIN report published in March 2019, [South African Sugar Industry Crushed by Not So Sweet Tax](#).

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 2018/19 MY and 2019/20 MY quota allocation.

Refined sugar exports have been converted to raw sugar values using a factor of 1.07. Refined sugar exports to some EU countries such as Belgium are on ad hoc basis, driven by limited supply as the EU had a drought in the 2018/19 MY.

Table 4: Raw Sugar Exports

Eswatini Export Statistics					
Raw Sugar, HS170111, 170112, 170113, 170114					
Year Ending: March					
Reporting Country	Unit	Quantity			
		2015/16	2016/17	2017/18	2018/19*
Reporting Total	T	614,816	560,253	491,569	402,958
South Africa	T	331,896	291,934	256,384	258,671
Italy	T	10,286	18,248	39,265	42,293
China	T	0	0	39,500	34,000
Portugal	T	70,233	54,877	24,945	30,956
United States	T	28,219	19,623	23,271	16,061
Kenya	T	0	2,000	66,475	10,687
Botswana	T	0	458	1,462	4,416
Belgium	T	1,119	2,057	1,764	3,269
Switzerland	T	108	9	182	1,129
Germany	T	2,586	1,882	2,064	673
Netherlands	T	4,651	3,958	4,174	495
Ireland	T	0	0	0	152
Poland	T	0	43	87	108
Romania	T	60,786	24,870	0	43
Canada	T	0	5	22	3
Mexico	T	0	2	2	2
Brazil	T	7	2	1	0
Croatia	T	25	0	0	0
Finland	T	48,723	27,460	0	0
France	T	0	0	1,011	0
Spain	T	25,000	85,216	5,760	0
United Kingdom	T	31,177	27,609	25,200	0

*Export figures up to February 2019.

Source: GTA

Table 5: Refined Sugar Exports

Eswatini Export Statistics					
Refined Sugar (HS170199, 170191)					
Year Ending: March					
Reporting Country	Unit	Quantity			2018/19*
		2015/16	2016/17	2017/18	
Reporting Total	T	25,921	41,926	27,346	57,474
South Africa	T	17,904	30,340	27,275	49,353
Kenya	T	214	1,177	0	5,404
Belgium	T	0	4	0	2,647
Switzerland	T	37	139	70	70
Russia	T	0	2	1	1
Botswana	T	3,893	5,384	0	0
Canada	T	3	0	0	0
France	T	0	4,142	0	0
Germany	T	0	46	0	0
Italy	T	2,534	0	0	0
Romania	T	230	0	0	0
Spain	T	1,082	576	0	0
United Kingdom	T	24	116	0	0

*Export figures up to February 2019.

Source: GTA

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 by 17 percent to 73,000 MT in the 2019/20 MY, from 88,000 MT in the 2018/19 MY, based on an increase in exports. 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	2017/2018		2018/2019		2019/2020	
	April 2017		April 2018		April 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	12	12	99	91	0	88
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	650	650	690	730	0	800
Total Sugar Production	650	650	690	730	0	800
Raw Imports	15	1	15	1	0	1
Refined Imp.(Raw Val)	0	0	0	0	0	0
Total Imports	15	1	15	1	0	1
Total Supply	677	663	804	822	0	889
Raw Exports	366	492	480	600	0	650
Refined Exp.(Raw Val)	159	27	230	80	0	110
Total Exports	525	519	710	680	0	760
Human Dom. Consumption	52	52	53	53	0	54
Other Disappearance	1	1	1	1	0	2
Total Use	53	53	54	54	0	56
Ending Stocks	99	91	40	88	0	73
Total Distribution	677	663	804	822	0	889
(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 2019/20 MY, and pressure for milling companies to raise extra revenue streams as the global sugar prices continue to decrease.

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 2018/19 MY and 2019/20 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 duty free access that was previously extended to least developed countries including Eswatini. It is expected that such changes may result in an increase in sugar production, decreases in sugar prices in the EU, and possibly a decrease in EU imports from other countries over time. As a result, Eswatini exports to the EU are expected to significantly decline over time.

Customs Import Duties

Table 7: Customs Duties

Heading / Subheading	C D	Article Description	Statistical Unit	Rate of Duty (c/kg)				
				General	EU	EFTA	SADC	MERCOSUR
1701		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	401.79	401.79	401.79	401.79	401.79
1701.13	9	Cane sugar	Kg	401.79	401.79	401.79	401.79	401.79
1701.14	5	Other cane sugar	Kg	401.79	401.79	401.79	401.79	401.79
1701.9		Other:						
1701.91	2	Containing added flavoring or coloring matter	Kg	401.79	401.79	401.79	401.79	401.79
1701.99	3	Other	Kg	401.79	401.79	401.79	401.79	401.79

Source: South African Revenue Service.