

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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South Africa - Republic of

Sugar Semi-annual

South Africa Sugar Imports Expected to Decrease by 20 Percent

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Report Highlights:

Post estimates that the South African raw sugar production will increase by 8 percent to 2.2 Million Metric Tons (MMT) in the 2018/19 Marketing Year (MY), due to an increase in sugar cane delivered to the mills for crushing as the industry has fully recovered from the previous year's drought. Post estimates that sugar imports will decrease by 20 percent to 600,000 MT in the 2018/19 MY, due to the impact of the increase in import customs duty to 419.52c/kg (US\$0.30/kg) in August 2018, from 213.1 c/kg (US\$0.15/kg). South Africa is expected to fully utilize the United States Tariff Rate Quota allocation in the 2018/19 MY.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Executive Summary

Post estimates that the sugar cane crop will increase by 11 percent to 19.3 Million Metric Tons (MMT) in the 2018/19 Marketing Year (MY), from 17.4 MMT in the 2017/18 MY. This is based on normal weather conditions, and improved sugar cane yields as the industry has fully recovered from the previous year's drought. This increase was partially offset by reduced cane production due to diversification, and decreases in smallholder farmers' sugar cane yields. Post estimates that the South African raw sugar production will increase by 8 percent to 2.2 MMT in the 2018/19 MY, from 2.1 MMT in the 2017/18 MY, due to an increase in sugar cane delivered to the mills for crushing.

Post estimates that sugar exports will increase by 49 percent to 1.2 MMT in the 2018/19 MY, from 770,001 MT in the 2017/18 MY, due to an increase in sugar production and the pace of exports from April to July 2018. Post estimates that the total sugar imports will decrease by 20 percent to 600,000 MT in the 2018/19 MY, from 745,656 MT in the 2017/18 MY. This is due to the increase in domestic supply and the impact of the increase in import customs duty to 419.52c/kg (US\$0.30/kg) in August 2018, from 213.1 c/kg (US\$0.15/kg).

Post estimates that domestic sugar consumption will increase marginally by 0.5 percent to 1.97 MMT in the 2018/19 MY, from 1.96 MMT in the 2017/18 MY. This is based on the increase in sugar production, population growth, and increased demand from the industrial market. The growth will be partially offset by reduced sugar consumption for health reasons or consumer awareness following the media reports on the negative impact of sugar on health, and the impact of the tax on sweetened beverages implemented at the beginning of April 2018.

South Africa is expected to fully utilize its 2019 FY United States Tariff Rate Quota (TRQ).

Sources

South African Sugar Association - <http://www.sasa.org.za>

Illovo Sugar Company - <http://www.illovo.co.za>

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

Tsb Sugar Company - <http://www.tsb.co.za>

South African Canegrowers Association - <http://www.sacanegrowers.co.za>

South African Revenue Services - www.sars.gov.za

MT – Metric Tons

MMT – Million Metric Tons

MY – Marketing Year (April – March)

1US\$ = 14 Rands

Background

Sugar cane in South Africa is grown in the Kwa-Zulu Natal Province and Mpumalanga Province as shown in **Figure 1** below. Sugar cane production in the Kwa-Zulu Natal Province is 95 percent rain fed with limited irrigated areas, while production in the Mpumalanga province is fully irrigated using center pivots, sprinklers and the canal system. At least 80 percent of the sugar cane production is supplied by large scale farmers, and the remaining 20 percent of production is accounted for by small scale farmers including subsistence farmers. In total there are approximately 23,400 sugar cane growers in South Africa, comprising of 1,400 large scale growers and 22,000 small scale growers.

Figure 1: Map of Sugarcane Production Areas in South Africa

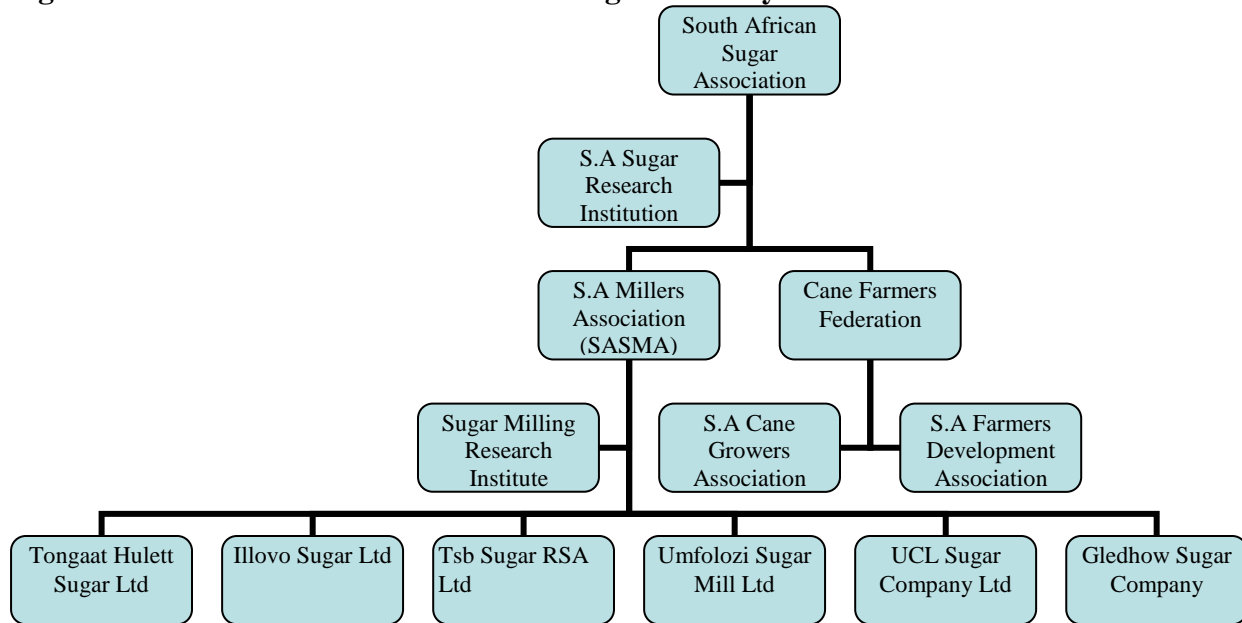


Source: South African Sugar Association

The South African Sugar Association is the highest decision making authority in the industry on common issues of interest for sugar cane growers and sugar millers. The South African Sugar Research Institute (SASRI) conducts research on sugar cane varieties, pests, diseases, and crop protection. SASRI also provides extension and meteorology services. The Sugar Milling Research Institute is involved in sugar milling research, and provides technical services to the Southern African sugar milling and refining industries. There are two associations representing sugar cane growers in South Africa, the South Africa Growers Association and the South African Farmers Development Association. The South African Millers Association represents the interest of the six sugar milling companies; Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, Tsb Sugar RSA Ltd, Gledhow Sugar Company, Umfolozi Sugar Mill Ltd and UCL Company Ltd. These six milling companies own a combined total of 14 sugar mills, 12 in the Kwa-Zulu Natal Province and 2 in the Mpumalanga Province. Tongaat Hulett Sugar Ltd, Illovo Sugar

Ltd, and Tsb Sugar RSA Ltd also own sugar mills outside South Africa in Eswatini (Formerly Swaziland), Zimbabwe, Zambia, Mozambique, and Tanzania,

Figure 2: Structure of the South African Sugar Industry



Source: South African Sugar Association, South African Cane growers Association

Sugarcane:

Production

Post estimates that the South African sugar cane crop will increase by 11 percent to 19.3 MMT in the 2018/19 MY, from 17.4 MMT in the 2017/18 MY. This is based on normal weather conditions, and improved sugar cane yields as the industry has fully recovered from the previous year's drought. This increase was partially offset by reduced cane production due to some growers diversifying from cane growing to other profitable crops, and decreases in smallholder farmers' sugar cane yields. Increases in input costs, especially fertilizers, and the lack of economies of scale have negatively impacted smallholder farmers' sugar cane yields. There is no commercial sugar beet production in South Africa.

The impact of the drought on the cane yields in the 2015/16 MY and 2016/17 MY is evident. While the sugar cane yields are expected to increase to 69 tons/ hectare in the 2018/19 MY, the variation in cane yields ranges widely from about 30 tons/hectare for dryland smallholder farmers in the Kwa-Zulu Natal Province to about 95 tons/ hectare for farmers in the irrigated growing regions of the Mpumalanga Province.

Table 1: Sugarcane Production and Yields in South Africa

MY	Area planted (Ha)	Area Harvested (Ha)	Cane Crushed (MT)	Yield (MT/Ha)
2012/13	371,662	257,095	17,278,020	67
2013/14	378,922	265,939	20,032,969	75
2014/15	381,707	272,590	17,755,504	65
2015/16	370,335	258,497	14,861,401	57
2016/17	360,000	260,000	15,074,610	58
2017/18	362,000	275,000	17,388,177	63
2018/19*	363,000	280,000	19,250,000	69

* Estimate.

Source: South African Canegrowers Association

Higher costs of production, due to increases in fertilizer and fuel costs, have resulted in some farmers diversifying to macadamia nuts, avocados, citrus, vegetables and poultry production. In 2017, a pilot project was established to investigate the viability of biogas production from sugarcane tops and leaves. Once the process is deemed viable and is optimized, it is expected that sugar cane farmers would also start producing biogas to improve farm profitability.

Sugar cane growers in South Africa are paid by mills based on the quality of sugar cane they deliver at the mill. The quality of sugar cane is measured using an industry agreed formula and is known as the Recoverable Value Tonnage. As a result, growers always aim to supply sugarcane that achieves the highest amount of sugar content that the mill can recover. The price paid to sugarcane growers also takes into account the net revenue obtained from the sale of sugar and molasses in the export and domestic markets. The nominal prices paid to sugar cane growers have increased from R3,197 (US\$228) in the 2012/13 MY to R4,187 (US\$299) in the 2017/18 MY, mainly based on the increase in local prices for sugar. The sugarcane price paid to growers is expected to decrease by 9 percent to

R3,817 (US\$273) in the 2018/19 MY, from R4,187 (US\$299) in the 2017/18 MY, based on the decrease in the overall sugar cane quality this season and increase in production.

Table 2: Sugarcane Prices Paid to Growers

MY	Price (Rands/ Recoverable Value Ton)
2012/13	3,197.32
2013/14	3,137.87
2014/15	3,437.97
2015/16	3,979.22
2016/17	4,931.91
2017/18	4,187.11
2018/19*	3,817.09

*Estimate. Source: South African Canegrowers Association

Table 3: Production, Supply and Demand (PS&D) for Sugar Cane

Sugar Cane for Centrifugal Market Begin Year	2016/2017		2017/2018		2018/2019	
	Apr 2016		Apr 2017		Apr 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
South Africa						
Area Planted	360	360	370	362	380	363
Area Harvested	260	260	280	275	290	280
Production	15075	15075	17388	17388	18500	19250
Total Supply	15075	15075	17388	17388	18500	19250
Utilization for Sugar	15075	15075	17388	17388	18500	19250
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	15075	15075	17388	17388	18500	19250
(1000 HA) ,(1000 MT)						

Sugar:

Production

Post estimates that the South African raw sugar production will increase by 8 percent to 2.2 MMT in the 2018/19 MY, from 2.1 MMT in the 2017/18 MY. This is based on an increase in sugar cane delivered to the mills for crushing, and was partially offset by lower processing efficiencies at the mills and lower quality of sugar cane this season. The lower quality of sugar cane refers to the lower sugar content per ton of sugar cane crushed, which may be due to weather conditions or sub-optimal usage of fertilizer. The percentage of sugar produced from each ton of sugar cane is estimated to decrease to 11.56 percent in the 2018/19 MY, from 11.87 percent in the 2017/18 MY, based on the lower quality of sugar cane this season.

Table 4: Sugar Production and Factory Recoveries in South Africa

MY	Cane Crushed (MT)	Sugar Production (Tel Quel MT)	Sugar Production (Raw Value MT**)	Sugar/ Cane Ratio (Percentage)
2012/13	17,278,020	1,951,518	2,019,821	11.69%
2013/14	20,032,969	2,352,878	2,435,229	12.16%
2014/15	17,755,504	2,118,232	2,192,370	12.35%
2015/16	14,861,401	1,627,395	1,684,354	11.33%
2016/17	15,074,610	1,553,229	1,607,592	10.66%
2017/18	17,388,000	1,993,727	2,063,507	11.87%
2018/19*	19,250,000	2,150,000	2,225,250	11.56%

* Estimate. ** Raw Value = Tel Quel x 1.035.

Source: South African Canegrowers Association, and Post Estimates.

The Tongaat Hulett Sugar Ltd, Illovo Sugar Ltd, Tsb Sugar RSA Ltd, and Umfolozi Sugar Mill Ltd produce both raw and refined sugar. The Umfolozi Sugar Mill Ltd and UCL Company Ltd only produce raw sugar. The Gledhow Sugar Company only produces refined sugar.

Consumption

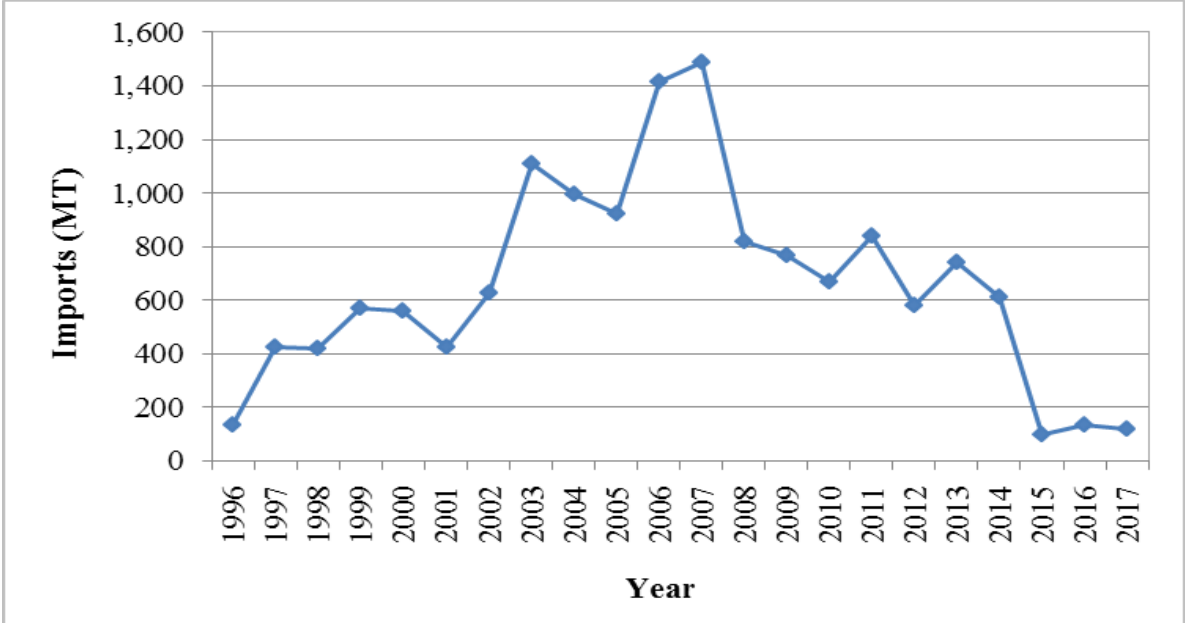
Post estimates that domestic sugar consumption will increase marginally by 0.5 percent to 1.97 MMT in the 2018/19 MY, from 1.96 MMT in the 2017/18 MY. This is based on the increase in sugar production, population growth, and increased demand from the industrial market. The growth will be partially offset by reduced sugar consumption for health reasons or consumer awareness following the media reports on the negative impact of sugar on health, and the impact of the tax on sweetened beverages implemented at the beginning of April 2018.

Sugar in South Africa is primarily used for direct human consumption and for industrial purposes e.g. as an ingredient for producing beverages and confectionary products. The industrial demand for sugar has significantly grown and now accounts for at least 60 percent of the total domestic sugar sales in the 2017/18 MY, compared to about 43 percent in the 2015/16 MY. The increase in sales to the industrial market is driven by the growing beverage and processed food manufacturing sector.

The per capita consumption of sugar is about 45 kg per year, which is higher than most counties in the Southern Africa region. The retail price of brown and refined sugar ranges from about US\$0.98 to US\$1.03 per kilogram.

The industry currently sees no impact in the use of alternative sweeteners on the domestic industry and sugar consumption, as the quantities utilized are still relatively low and there is negative publicity on artificial sweeteners. **Figure 3** confirms that the import of sweetening substances has been in decline over the past ten years since 2007, and has been static since 2015.

Figure 3: Import of Sweetening Substances (HS 2106.90.35)



Source: Global Trade Atlas (GTA)

Trade:

Exports

Post estimates that sugar exports will significantly increase by 49 percent to 1.2 MMT in the 2018/19 MY, from 770,001 MT in the 2017/18 MY, due to an increase in sugar production, large available stocks, and the pace of exports from April to July 2018. Post revised upwards the 2017/18 MY exports to 770,001 MT, based on final GTA data.

South Africa always exports its surplus sugar regardless of the global prices and sometimes at a loss because of the domestic sugar regulations that stipulate that the price of cane paid to sugar cane growers should be based on revenue obtained from the sugar sales in the local and export market. As a result, South Africa only exports surplus sugar once the domestic market and the South African Customs Union (SACU) markets are adequately supplied. SACU members include South Africa, Namibia, Botswana, Lesotho, Swaziland and Namibia.

In 2018, raw sugar exports to the European Union (EU) accounted for 36 percent of the total raw sugar exports, due to the annual duty free quota of 150,000 MT that South Africa was granted under the Southern Africa Development Committee (SADC)/ EU Economic Partnership Agreement implemented in 2016. The EU also changed its domestic sugar policy in 2017 and removed restrictions for domestic sugar beet production. This change is expected to result in an increase in sugar production and decreases in sugar prices in the EU. This is also expected to result in a decrease in EU imports from other countries over time. However, South African exports to the EU under the annual duty free quota of 150,000 MT are expected to continue as South Africa is mandated by regulation to export surplus sugar regardless of the expected low prices.

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) raw sugar allocation of 24,000 MT, which allows it to export raw sugar duty free to the United States. South Africa is expected to fully utilize 2018/19 MY quota allocation.

Mozambique, Namibia, Botswana, Madagascar and Angola are the key refined sugar export markets for South Africa. Refined sugar exports have been converted to raw sugar values using a factor of 1.07.

Table 5: Raw Sugar Exports

South Africa Export Statistics						
Commodity: Raw Sugar, HS170111, 170112, 170113, 170114						
Year Ending: March						
Partner Country	Unit	Quantity				
		2014/15	2015/16	2016/17	2017/18	2018/19*
World	T	410,010	157,806	130,930	454,449	253,691
China	T	0	0	0	157,245	0
Italy	T	34	0	0	105,008	60,635
United States	T	46,410	23,087	0	56,540	0
United Kingdom	T	0	0	0	35,000	35,260
Japan	T	30,000	0	0	27,000	0
Namibia	T	111,952	98,032	95,346	26,398	3,658
Botswana	T	24,047	19,250	18,703	21,916	5,873
Lesotho	T	16,241	14,355	13,286	12,446	4,234
Kenya	T	37	0	0	9,700	0
Mozambique	T	17,546	2,086	2,361	1,562	848
Uganda	T	1	0	0	800	0
Swaziland	T	501	417	407	740	60
Angola	T	65	132	742	54	34
St. Helena	T	34	34	18	23	3
Tanzania	T	0	2	11	6	2,314
Zambia	T	82	5	5	6	1
Congo Dem. Rep.	T	165	13	11	1	2
Zimbabwe	T	1,765	110	3	1	0

Malaysia	T	27,550	0	0	0	134,000
Other Countries NES	T	0	36	0	0	6,760
Israel	T	770	198	0	0	0
Yemen	T	4,283	16	0	0	0
Bangladesh	T	73,650	0	0	0	0
Australia	T	26,012	0	0	0	0
Indonesia	T	20,000	0	0	0	0
Romania	T	8,800	0	0	0	0

*Data is from April 2018 to July 2018.

Source: GTA

Table 6: Refined Sugar Exports

Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191						
Year Ending: March						
Partner Country	Unit	Quantity				
		2014/15	2015/16	2016/17	2017/18	2018/19*
World	T	605,028	146,195	87,141	315,552	146,968
Mozambique	T	114,888	55,230	25,271	142,020	68,569
Namibia	T	6,218	11,078	7,984	36,167	21,842
Botswana	T	40,487	24,625	38,755	30,255	11,101
Madagascar	T	18,661	9,796	81	22,467	10,840
Angola	T	44,225	13,283	5,414	14,752	7,641
United Kingdom	T	6	1	0	12,793	5,910
Greece	T	0	0	0	9,651	0
Ukraine	T	0	0	0	6,942	0
Kenya	T	288,494	2,291	0	6,406	2,702
Uganda	T	8,389	856	0	5,361	3,847
Lesotho	T	5,937	5,079	5,340	4,667	1,422
Comoros	T	4,378	3,679	967	4,077	494
Ghana	T	6,588	2,268	9	3,103	983
Mayotte	T	2,553	2,317	2,057	3,024	1,338
United States	T	197	128	0	2,697	0
Italy	T	0	1	0	1,626	0
Tanzania	T	4,933	1	0	1,553	4,321
Congo Dem. Rep.	T	6,299	2,500	48	1,472	3,469
Romania	T	0	0	0	1,284	0
Israel	T	0	450	690	1,008	0
Rwanda	T	803	0	0	910	284
Nepal	T	0	0	0	852	0
India	T	0	1	0	644	0

Congo	T	0	2	9	529	54
Burundi	T	535	0	0	428	107
Swaziland	T	110	43	43	167	60
Seychelles	T	1,044	27	31	138	196
Zambia	T	119	76	49	71	6
Nigeria	T	2	21	1	31	108
Malawi	T	72	42	20	27	3
Somalia	T	589	0	0	27	0
Belgium	T	0	0	0	21	514
St. Helena	T	11	41	25	17	13
Netherlands	T	82	9	26	12	5
Zimbabwe	T	46,148	10,316	40	11	2
Other Countries NES	T	322	1,640	208	0	0
San Marino	T	268	0	0	0	0
Senegal	T	508	107	0	0	0
Equatorial Guinea	T	401	0	0	0	0
Gabon	T	535	1	0	0	0
Benin	T	1,097	0	0	0	0
Chad	T	0	0	0	0	1,134

*Data is from April 2018 to July 2018.

Source: GTA

Imports

Post estimates that the total sugar imports will decrease by 20 percent to 600,000 MT in the 2018/19 MY, from 745,656 MT in the 2017/18 MY. This is due to the increase in production, and the impact of the increase in import customs duty to 419.52c/kg (US\$0.30/kg) in August 2018, from 213.1 c/kg (US\$0.15/kg).

Raw sugar imports from Swaziland accounted for 59 percent of the total South African raw sugar imports in the 2017/18 MY because Swaziland is part of SACU and its imports are not subject to any customs duty. Brazil accounted for 49 percent of the total refined imports in the 2017/18 MY. Imports from Brazil fluctuate based on the level of customs duty applicable, as explained in the section under import restrictions using the domestic Dollar Based Reference Price. Imports of raw and refined sugar are shown in **Table 7** and **Table 8**, respectively.

Table 7: Raw Sugar Imports

South Africa Import Statistics		
Commodity: Raw Sugar, HS170111, 170112, 170113, 170114		
Year Ending: March		
Partner Country	Unit	Quantity

		2014/15	2015/16	2016/17	2017/18	2018/19*
World	T	352,406	361,078	368,946	431,538	111,411
Swaziland	T	300,617	331,896	291,934	256,384	90,030
Brazil	T	30,554	15,552	23,881	43,990	8,719
United Arab Emirates	T	0	336	1,225	42,500	1,512
Guatemala	T	1,250	0	1,749	40,961	0
Thailand	T	7,906	627	1,587	23,000	0
El Salvador	T	0	0	1,380	5,165	2,633
Zambia	T	8,798	9,990	5,925	5,023	30
Belgium	T	16	0	5	4,925	1,200
Mauritius	T	66	44	61	2,462	22
Germany	T	91	138	159	2,033	1,965
Poland	T	0	0	270	1,000	1,079
Saudi Arabia	T	0	648	0	984	600
Egypt	T	0	0	0	785	600
Malawi	T	0	0	0	532	60
France	T	0	0	0	480	2,240
Unidentified Country	T	0	0	0	480	0
Argentina	T	0	0	20,000	260	0
Other Countries NES	T	849	1,044	1,093	236	134
Botswana	T	34	1	36	177	0
Namibia	T	569	390	537	71	0
South Africa	T	0	0	0	35	0
India	T	1,605	5	73	27	6
Zimbabwe	T	0	0	1,329	0	578
Switzerland	T	0	0	15,254	0	0
United States	T	0	260	0	0	0
Czech Republic	T	0	0	2,400	0	0
Lesotho	T	36	130	32	0	0

*Data is from April 2018 to July 2018.

Source: GTA

Table 8: Refined Sugar Imports

South Africa Export Statistics		
Commodity: Refined Sugar (HS170199, 170191), HS170199, 170191		
Year Ending: March		
Partner Country	Unit	Quantity

		2014/15	2015/16	2016/17	2017/18	2018/19*
World	T	153,692	108,066	375,236	314,118	91,818
Brazil	T	100,257	63,307	183,846	152,381	25,302
United Arab Emirates	T	0	1,284	105,067	50,168	25,138
Swaziland	T	30,605	17,904	30,340	27,275	10,297
Guatemala	T	0	0	2,600	26,093	0
Thailand	T	435	2,686	35	24,563	1,474
Poland	T	0	3,424	1,573	5,548	1,530
Malawi	T	8,870	8,753	5,004	5,487	1,472
Germany	T	5	45	4,555	3,920	6,050
Ukraine	T	0	0	11,128	2,859	0
Egypt	T	0	0	1,284	2,722	3,159
Zambia	T	7,163	6,125	3,633	2,598	0
Mauritius	T	22	0	4	2,365	128
India	T	5,716	3,390	6,022	2,147	285
Belgium	T	17	11	12	1,800	524
Other Countries NES	T	2	144	4	1,181	263
France	T	4	0	10,844	976	9,791
Denmark	T	0	0	11	326	428
Botswana	T	118	77	76	312	0
United States	T	13	19	871	294	385
Portugal	T	0	0	227	268	0
Zimbabwe	T	1	66	0	254	0
China	T	13	11	15	148	1
United Kingdom	T	94	459	506	118	658
Netherlands	T	198	3	1	4	1,248
Hong Kong	T	4	2	0	1	289
El Salvador	T	0	0	0	0	1,391
Pakistan	T	139	289	0	0	1,920
Sweden	T	0	0	1,798	0	0
Malaysia	T	1	1	4,976	0	0

*Data is from April 2018 to July 2018.

Source: GTA

Stocks

Post estimates that the ending stocks will significantly reduce to 98,000 MT in the 2018/19 MY, from 526,000 MT in the 2017/18 MY, based on an increase in exports, and decrease in imports. The 2017/18 MY ending stocks were revised upwards to 526,000 MT due to increases in sugar imports.

All the sugar produced in each marketing year is considered sold at the end of the season in order for the industry to share the revenue between growers and millers as per the agreed Division of Proceeds formulas. High closing stocks pose a cost challenge to the industry as the growers and millers have to pay for the storage of such sugar.

Table 9: PS&D for Sugar

Sugar, Centrifugal Market Begin Year South Africa	2016/2017		2017/2018		2018/2019	
	April 2016		April 2017		April 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	304	304	464	463	501	526
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	1607	1607	2064	2064	2200	2150
Total Sugar Production	1607	1607	2064	2064	2200	2150
Raw Imports	368	369	300	432	410	330
Refined Imp.(Raw Val)	376	375	400	314	305	270
Total Imports	744	744	700	746	715	600
Total Supply	2655	2655	3228	3273	3416	3276
Raw Exports	129	131	420	454	500	750
Refined Exp.(Raw Val)	88	87	330	316	400	440
Total Exports	217	218	750	770	900	1190
Human Dom. Consumption	1960	1960	1961	1961	1970	1970
Other Disappearance	14	14	16	16	17	18
Total Use	1974	1974	1977	1977	1987	1988
Ending Stocks	464	463	501	526	529	98
Total Distribution	2655	2655	3228	3273	3416	3276

(1000 MT)

Trade Policies and Regulations:

Electricity Co-generation

The South African 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 Eskom the state owned electric company.

Ethanol Production

There is currently no commercial production of biodiesel and fuel grade ethanol from sugar cane in South Africa. However, some of the sugar mills produce beverage grade ethanol, and industrial alcohols as by-products or back-end products from molasses.

Sugar Marketing and Sales

The South African Sugar Association is by law the only organization permitted to export raw sugar produced in South Africa. Sugar milling companies are only permitted to export refined sugar. South Africa always exports its surplus raw sugar regardless of the global prices and sometimes at a loss because of the domestic sugar regulations that stipulate that the price of cane paid to sugar cane growers should be based on revenue obtained from the sugar sales in the local and export market for that specific season.

The South African sugar industry provides a rebate (discount) to domestic manufactures to promote the sale and use of locally produced sugar.

United States Sugar Tariff Rate Quota Allocation

South Africa is a beneficiary of the United States Tariff Rate Quota (TRQ) allocation, which allows it to export sugar duty free to the United States. South Africa confirmed that it has the capacity to export the 24,220 MT that it has been allocated for the 2019 FY, and any additional sugar allocations available.

European Union Sugar Quota and Policies

South Africa was granted an annual quota of 150,000 MT sugar to export sugar duty free to the European Union under the SADC/EU Economic Partnership Agreement that was finalized in October 2016. South Africa expects to utilize the 2018/19 MY, despite concerns that the returns from the EU market are low.

Import Restrictions Based on the Dollar Based Reference Price

South Africa applies the Dollar Based Reference Price (DBRP) mechanism to ensure that, inclusive of the duty, the DBRP (currently US\$680 per ton), is the lowest price that an importer will pay for imported sugar. In the event that the import prices are lower than the DBRP, an import duty is applicable, while an import price higher than the DBRP would result in no import duties payable. The

DBRP was increased to US\$680 per ton in August 2018, from US\$566 per ton in order to restrict the increases in imports from Brazil, and because the DBRP of US\$566 per ton was below the cost of sugar production in South Africa. The import duty was also increased to 419.52c/kg (US\$0.30/kg) in August 2018, from 213.1 c/kg (US\$0.15/kg).

Customs Import Duties

Table 10: Customs Duties as of September 2018

Heading / Subheading	C D	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	419.5 2	419. 52	419. 52	419. 52	419.52
1701.13	9	Cane sugar	Kg	419.5 2	419. 52	419. 52	419. 52	419.52
1701.14	5	Other cane sugar	Kg	419.5 2	419. 52	419. 52	419. 52	419.52
1701.9		Other:						
1701.91	2	Containing added flavoring or coloring matter	Kg	419.5 2	419. 52	419. 52	419. 52	419.52
1701.99	3	Other	Kg	419.5 2	419. 52	419. 52	419. 52	419.52

Source: South African Revenue Service.

Implementing of the Sugar Tax on Sugar-Sweetened Beverages

On December 15, 2017, the South African Revenue Services (SARS) announced that it will start to collect sugar tax from all sweetened beverages, excluding 100% fruit juices from April 1, 2018 ([Click here to download the notice](#)). The tax became effective in April 2018. The tax will affect both domestic and imported sweetened beverages, and will particularly impact soft drinks. Imported sweetened beverages will be taxed when they are cleared at the port of entry. The levy is fixed at 2.1 cents per gram of sugar content that exceeds 4 grams per 100ml, which means that the first 4 grams per 100ml are levy free. Post published the following GAIN report on the proposed sugar tax, [click here to download the report](#).

The purpose of the sugar tax was argued to be one of the measures to reduce excessive sugar intake as it is linked with conditions such as obesity and diabetes. However, industry perceives such a tax to be a revenue generation initiative by the South African National Treasury. The sugar tax has also been criticized by the South African Beverages Association, who argued that it would be largely ineffective at addressing obesity and other health related issues, and would potentially result in massive job losses. The sugar industry expects that the sugar tax will result in the decrease in demand of sugar from beverage manufactures, as most manufactures have responded to the tax by producing smaller sized beverages in order to avoid the tax or minimize its impact.

Review of the Sugar Act and Sugar Industry Agreement

South Africa is currently in the process of reviewing the Sugar Act ([Download the Act](#)) and the Sugar Industry Agreement ([Download the Agreement](#)). The process has been underway for at least fifteen years, and it is still uncertain as to when the Department of Trade and Industry will publish the proposed amendments for public comments.