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South Africa

SUGAR ANNUAL

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Report Highlights:

Sugarcane production for the 2008/09 season is estimated at 19.26 million tons, 2.4 percent less than in 2007/08. Sugar production for 2008/09 is estimated at 2.35 MTRV. Sugar exports for the 2008/09 season are expected to be less than in 2007/08 while sugar imports will continue to increase modestly.

Executive Summary:

Sugarcane production for the 2008/09 season is estimated at 19.26 million tons. This is 2.4 percent less than the previous season and 5.1 percent less than the 2006/07 season. The 2008/09 season sugar production is estimated at 2.27 million tons Tell Quell (2.35 MTRV), 0.6 percent less than the previous season. For the 2009/10 season, production of sugarcane is expected to continue its declining trend of the past ten years

The decreasing trend in sugar exports from South Africa in the past few years will continue in the 2008/09 season. The increasing trend in local demand is also expected to stabilize at its current levels due to the current economic pressures. Imports in 2008 were 54.21 percent more than in 2007, with Brazil exporting almost 90 percent of all sugar imports by South Africa.

<http://www.sasa.org.za>

<http://www.illovo.co.za>

<http://www.huletts.co.za>

<http://www.tsb.co.za>

<http://www.sacanegrowers.co.za>

US\$1=R9.50 (03/31/2009)

Commodities:

Sugar Cane for Centrifugal

Select

Production:

Sugar farmers in South Africa had a tough 2008. Not only did input prices increased on average by almost 50 percent, the season also has been characterized by variable weather conditions and the continued uncertainty surrounding longstanding land claims. Sugarcane production for the 2008/09 season, which started in April 2008, is estimated at 19.26 million tons. This is 2.4 percent less sugarcane crushed than the previous season and 5.1 percent less than the 2006/07 season.

The 2008/09 season sugar production is estimated at 2.27 million tons Tell Quell (2.35 MTRV), 0.6 percent less than the previous season. The cane to sugar ratio at 8.49 is better than in the 2007/08 season (8.64) partly due to an improvement in cane quality, higher sucrose content and efficient milling practices.

For the 2009/10 season production of sugarcane is expected to continue its declining trend of the past ten years (see figure 1). The increase in input costs, unresolved land claims, and the relatively low real sugar price are the three major reasons for the expected decline in production. The forecast for the 2009/10 production season is 19.10 million tons of sugarcane on 308,000 hectares. With an average cane/sugar ratio of 8.60 is equals 2.22 million tons Tell Quell (2.30 MTRV) of sugar. Table 1 illustrates the production of sugar in South Africa from the 2005/06 to the 2009/10 (forecast) season.

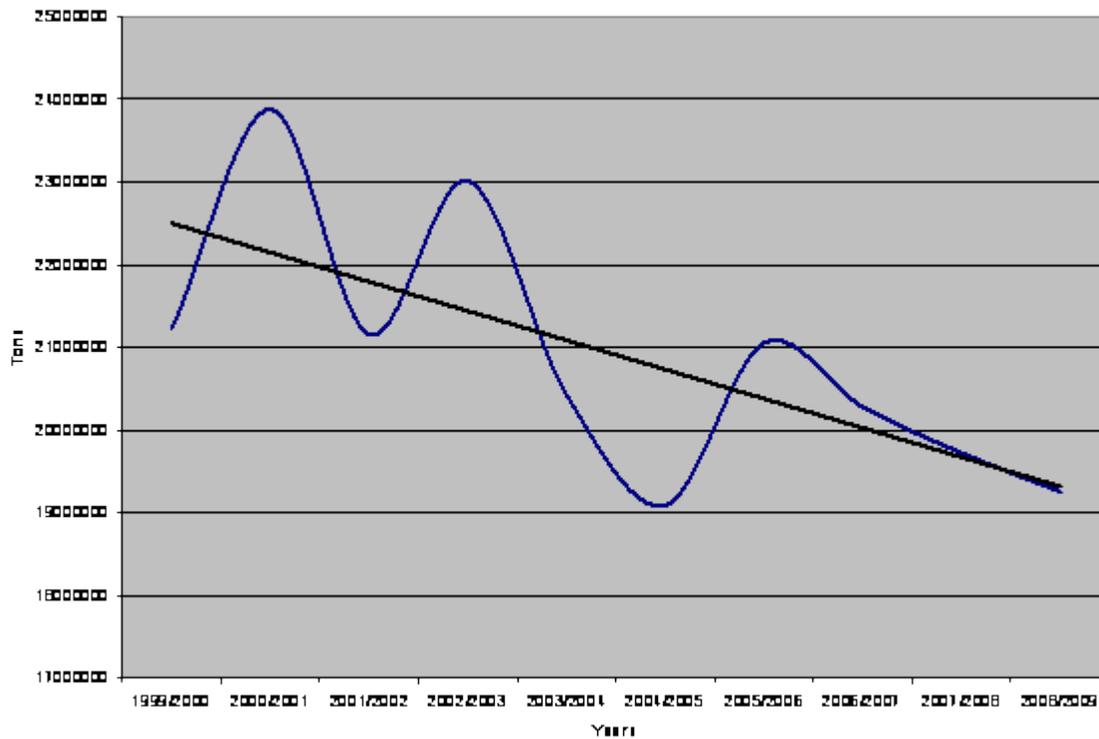


Figure1: The declining trend in sugar cane production in South Africa

Table 1: The production of sugar in South Africa from the 2005/06 season

Season	Area Planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar prod. (MT*)	Cane/sugar ratio
2005/06	423,960	318,856	66.02	21 052 266	2 507 203	8.40
2006/07	419,463	305,600	66.36	20 278 603	2 235 287	9.07
2007/08	422,814	319,359	61.76	19 723 916	2 281 765	8.64
2008/09 est.	418,000	310,000	62.11	19 255 404	2 269 062	8.49
2009/10 forc.	415,800	308,000	62.00	19 096 000	2 220 465	8.60

*Tel Quell x 1.035 = Raw value, Refined x 1.07 = Raw value

Stocks:

Marketing:

Cane prices

Cane growers are paid for their sugar cane according to the quality of the cane delivered to the mill as well as through a revenue sharing arrangement. Cane quality is measured by the Recoverable Value (RV) formula, which estimates the amount of sugar and molasses that can be produced from a delivery of cane. Total proceeds from sugar and molasses sales to the local and export market are shared between growers, millers and refiners in accordance with the Sugar Industry Agreement. A provisional RV price is declared monthly during the season which is applied to all cane delivered to date. A final RV price for the season is declared in March of each year.

The RV price for the 2008/09 season increased by more than 18 percent from the 2007/08 season price of R1,701.90 and was set at R2,011.18 in March 2009. The main reasons for the increase in the price were the steady upward trend in the international sugar price, the depreciation of the rand and an estimated decrease in local production. International sugar prices followed a steady upward trend between May 2008 and August 2008, mostly in anticipation of a significant shortfall in the major producing countries of India and Brazil. The rand depreciated by 31.5 percent against the dollar in 2008. The sharp decline in the exchange rate was caused by global financial turmoil, with investors rechanneling funds to familiar, mature markets, as well as by the decrease in international commodity prices, which constitute a large percentage of South Africa's exports.

Average RV prices for the industry paid by millers to growers as well as the cane price are shown in Table 2.

Table 2: Average Recoverable Value and cane prices

Year (Apr – Mrt)	RV Price (Rand)	Cane Price (Rand)	R/\$ Exchange rate
2002/03	1 368.79	171.78	9.72
2003/04	1 357.01	169.08	7.17
2004/05	1 297.19	159.55	6.26

2005/06	1 389.80	173.59	6.40
2006/07	1 701.86	198.78	7.04
2007/08	1 701.90	208.82	7.13
2008/09	2 011.18	210.00	8.85

Alternative Uses for Sugar Cane

Despite the fact that South Africa's bio-fuel strategy recognized sugar cane as one of the best feedstock for renewable energy; to date there have not been any investments in the development of a bio-ethanol plant for sugar. The main reasons are that the strategy excluded existing sugar and cane producers from the initiative as the aim is the promotion of farming in areas that were previously neglected by the apartheid system as well as the current economic and financial environment.

However, a joint project between the Central Energy Fund and the Industrial Development Corporation (both government own), to produce bio-ethanol from sugar beet, has been granted final approval. The project will produce 90 million liters of bio-ethanol from sugar beet cultivated in the Eastern Cape province of South Africa. This will be the first large-scale bio-ethanol venture in the country with construction expected to be completed in 18 months.

Production, Supply and Demand Data Statistics:

Sugar Cane for Centrifugal South Africa (1000HA) (1000MT)	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	423	423	423	418	418	418		416	
Area Harvested	319	319	319	310	310	310		308	
Production	19,724	19,724	19,724	19,220	19,220	19,255		19,096	
Total Supply	19,724	19,724	19,724	19,220	19,220	19,255		19,096	
Utilization for Sugar	19,724	19,724	19,724	19,220	19,220	19,255		19,096	
Utilization for Alcohol	0	0	0	0	0	0		0	
Total Utilization	19,724	19,724	19,724	19,220	19,220	19,255		19,096	

Commodities:

Sugar, Centrifugal

Production:

It is estimated that the 2008/09-sugar production will amount to 2.27 million metric tons Tell Quell (2.35 million MTRV), compared to the 2007/08 production of 2.28 million tons, (2.36 million MTRV). Another decrease in sugar production is foreseen for the new 2009/10 milling season. Post expect that 2.22 million tons Tell Quell sugar (2.30 million MTRV) will be produced from 19.10 million tons of cane.

Consumption:

The South African Customs Union (SACU) market is of major significance for the South African sugar industry. The demand for sugar in the region has continued to grow in the past few years and the per capita consumption is currently 34.9 kg per annum compared to 31.1 kg per annum, seven years ago. However, because of the current economic pressures post forecasts that demand will stabilize at current levels. Many South Africans are returning to buying cheaper basic foods rather than more expensive foods because of relatively high food inflation. Food inflation in South Africa skyrocketed to 18.8 percent in August 2008 and is currently at 15.8 percent. The retail price of a 2.5 kg packet of white sugar, for example, increased by 13.18 percent from January 2008, when it cost R14.79, to January 2009 when it cost R16.74. Combined with relatively high fuel prices and high interest rates, many South Africans are constrained financially. Although there are signs of relief through lower inflation and interest rate cuts it will take time for the consumer to fully recover.

Of South Africa’s SACU sales, approximately 42 percent is sold to industrial customers, with the balance sold directly to the consumer market. Table 3 contains South African sales of sugar into the SACU market. The 2008/09 sales and trade figures are not yet available but post estimates that local demand will be on par with the 2007/08 season’s levels of 1.585 million MTRV (1.410 million MTRV from local produce and 175,000 MTRV from imports).

Table 3: South African sales of sugar into the SACU market

MT	2005/06	2006/07	2007/08
White sugar	1 112 153	1 121 273	1 121 263
Brown sugar	215 640	224 297	241 292
Direct sales	810 017	771 216	784 293
Industrial sales	517 776	574 354	578 263
Total sales	1 327 793	1 345 570	1 362 555

MTRV	1 420 739	1 439 760	1 410 244
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Trade:

On December 19, 2008, the International Trade Administration Commission (ITAC) in South Africa decreased the import duty on cane sugar (1701.11) and beet sugar (1701.12) from 1,3c/kg to free.

SARS reports the following exports and imports over the previous two calendar years although the 2008 figures are still subject to change. (Exports to Uganda in 2008 are not included in the trade matrix. SARS recorded sugar exports by South Africa to Uganda at 428,762 tons; however post have reasons to believe this information is incorrect. Post will meet with SARS representatives to discuss our concerns with the data.)

Although post forecasts that sugar exports will continue to decrease in the 2008/09 season, South Africa will still be able to fill its allocation of tariff rate exports to the United States. Imports in 2008 were 54.21 percent more than in 2007, with Brazil exporting almost 90 percent of all sugar imported to South Africa.

Export Trade

Country	South Africa,		
Commodity	Sugar, Centrifugal		
Time Period	Cy	Units:	Mt
Exports for:	2007		2008
U.S.	23 094	U.S.	0
Others		Others	
Mozambique	183 593	Mozambique	150 720
Japan	149 655	Japan	154 250
South Korea	160 350	South Korea	105 000
Congo	128 701	Congo	19 924
India	49 152	India	25 400
Uganda	32 473	Spain	4 988
Kenya	43 599	Kenya	27 689
Indonesia	41 481	Indonesia	31 200
Angola	35 734	Angola	31 050
Madagascar	19 523	Madagascar	42 449
		United Arab	
France	25 355	Emirates	7 570
Sudan	13 373	Comoros	6 414

Mauritius	13 072	Zimbabwe	3 942
Ghana	12 544	Ghana	15 964
Total for Others	908 605		626 560
Others not Listed	49 157		20 992
Grand Total	980 856		647 552

Import Trade

Country	South Africa		
Commodity	Sugar,		
Time Period	Cy	Units:	MT
Imports for:	2007		2007/08
U.S.	29	U.S.	90
Others		Others	
Brazil	86 750	Brazil	140 617
India	6 760	India	9 569
Malawi	5 845	Malawi	5 870
Zimbabwe	1 620	Zimbabwe	60
Total for Others	100 975		156 116
Others not Listed	1 529		1 912
Grand Total	102 533		158 118

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal South Africa (1000MT)	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Apr 2007			Market Year Begin: Apr 2008			Market Year Begin: Apr 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
		Data			Data			Data	
Beginning Stocks	446	446	446	227	227	227		162	
Beet Sugar Production	0	0	0	0	0	0		0	
Cane Sugar Production	2,360	2,360	2,360	2,315	2,315	2,350		2,300	
Total Sugar Production	2,360	2,360	2,360	2,315	2,315	2,350		2,300	
Raw Imports	0	0	0	0	0	0		0	
Refined Imp.(Raw Val)	165	165	165	200	200	175		200	
Total Imports	165	165	165	200	200	175		200	
Total Supply	2,971	2,971	2,971	2,742	2,742	2,752		2,662	
Raw Exports	904	0	904	800	0	800		750	
Refined Exp.(Raw Val)	250	1,154	250	200	1,000	200		150	
Total Exports	1,154	1,154	1,154	1,000	1,000	1,000		900	
Human Dom. Consumption	1,585	1,585	1,585	1,600	1,600	1,585		1,585	
Other Disappearance	5	5	5	5	5	5		5	
Total Use	1,590	1,590	1,590	1,605	1,605	1,590		1,590	
Ending Stocks	227	227	227	137	137	162		172	

Total Distribution	2,971	2,971	2,971	2,742	2,742	2,752			2,662
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