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Zimbabwe

SUGAR ANNUAL

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Report Highlights:

Sugar production in Zimbabwe continued its declining trend in the 2008/09 season. It is estimated that sugar production decreased by almost 15 percent in the 2008/09 season to 297,000 tons. However, there are strategies and funds in the pipeline to increase sugar cane production over the next few years. Due to the decrease in sugar production Zimbabwe's sugar exports decreased by 11.35 percent in the 2008/09 season.

Executive Summary:

Zimbabwe produced 2.6 million tons of sugar cane during the 2008/9 milling season, a decline of 25.7 percent from 2007/8 production of 3.5 million tons. Unavailability of critical inputs such as fertilizers and chemicals are the major cause of the production decline. The bulk of the sugar cane crop received very little or no fertilizer, thus impacting negatively on the yield and production. The poor macro-economic environment prevailing in the country in 2008, made it impossible for local manufacturers to supply the domestic market with adequate inputs while the serious foreign currency shortages in the country ruled out the option of importing inputs.

It is estimated that sugar production decreased by almost 15 percent in the 2008/09 season to 297,000 tons. For the 2009/10 season sugar production is estimated to fall from 297,000MT to 274,000MT.

Zimbabwe's sugar exports declined by 11.35 percent in the 2008/09 season, due to the decreased in sugar production. The 2009/10 quota exports to the EU, US and the region are projected to decrease further to 74,000MT.

Commodities:
Sugar Cane for Centrifugal

Production:

Sugar cane production is concentrated in the low altitude south eastern region of Zimbabwe, part of the Lowveld, where favorable climatic conditions, good soils and the availability of water for irrigation throughout the year makes this area ideal for sugar cane production. The sugar cane crop is grown under full-scale irrigation. Three privately owned large estates Hippo Valley, Triangle and Mkwasine account for about 80% of the national sugar cane crop while commercial farmers and resettled farmers grow the remaining 20% of the crop.

Weather patterns were conducive to good sugar cane production. Rainfall was above average and both sunshine hours and heat units were above average. There was adequate water for irrigation, with dam levels at around 80% of capacity although frequent power outages negatively affected ability to irrigate.

The area under sugar cane in 2008/9 season is estimated at 44,000 hectares. Of this, 37,520 hectares of cane area was harvested leaving a carryover of 6,480 hectares of cane that could not be harvested. Adverse weather, mechanical challenges, and a labor shortage were the main reasons for the harvesting delays. This cane has been carried into the 2009/10 season and will be the first cut of the 2009/10 milling season. The forecast for 2009/10 milling season is for a harvested sugar cane area estimated at 38,000 hectares.

Sugar cane production declined by 25.7% from 3.5 million tons last season to 2.6 million tons this season. Due to the critical shortage of foreign currency in the country, critical inputs such as fertilizer and crop chemicals were unavailable locally and could not be imported. The bulk of the sugar cane crop was grown under no or minimal fertilizers, impacting negatively on cane production and yields.

The estimated average sugar cane yield for the 2008/09 season at 69.1MT/ha is much lower than the previous season's average of 81.4MT/ha. Yields are forecast to increase to about 80MT/ha in the 2009/10 season due to anticipated wider availability of production inputs as a result of the improving politically and economic conditions.

Production details are shown on the table below:

Milling Season	Harvested	Cane crushed (MT)	Yield MT/Ha	Sugar production MT	Cane/ Sugar ratio
2009/10*	**38 000**	**3 040 000**	**80.0**	**274 000**	**11.09**
2008/9	**37 520**	**2 582 200**	**69.1**	**297 000**	**8.69**
2007/8	**35 580**	**2 897 149**	**81.4**	**349 269**	**8.20**
2006/7	**43 480**	**3 681 784**	**84.7**	**446 654**	**8.24**
2005/6	**44 788**	**3 530 210**	**78.8**	**429 476**	**8.31**
2004/5	**43 766**	**3 341 955**	**76.4**	**407 171**	**8.21**

*Forecast

The decline in sugar cane area and production has also been attributed in part to some newly resettled farmers allocated sugarcane fields under the land reform program who have either abandoned the sugar cane fields or planted alternative crops. As with other agricultural sectors in Zimbabwe, sugar cane producers face problems with security of land tenure. The failure by government to enforce legally respect for property rights has generally discouraged investment in the growth of sugar cane production.

Cane deliveries to mills were limited by inadequate transport capacity. Frequent break-downs, unavailability of spares and poor technical backup as a result of the loss of skills resulted in long down-times that negatively affected the efficiency of cane transportation operations.

The poor state of the economy in Zimbabwe and the close proximity of the sugar cane plantations to the South African border have seen an exodus of labor, mostly cane cutters, into neighboring South Africa where wages and living standards are relatively better. Unavailability of cane cutters has become an important challenge confronting the sugar cane industry.

The sugar industry plans to increase cane production through a substantial increase in cane production area. Through the EU funded Sugar Adaptation Strategy for Zimbabwe, the industry plans to increase the area planted to sugar cane by 60% in the next five years.

The completion of the Tokwe-Mukorsi Dam in the Lowveld is strategic to the expansion of sugar cane plantations. Construction of the dam started in 1998 and should have been complete in 2002 but was stalled by insufficient funding. Construction has recently resumed after the government courted Tongaat Hullett to finance completion of the dam. In return, Tongaat Hulletts' large sugar estates will be principal off-takers of water from the project. When complete, the dam will have a capacity of about 1.7 million cubic meters of water when full and a projected surface area of 9,640 hectares. It will be second largest dam in Zimbabwe.

Production, Supply and Demand Data Statistics:

Country	**Zimbabwe**								
Commodity	**Sugar Cane for Centrifugal**								
	2008	Estimate		2009	Forecast		2010	Forecast	
(1000 HA)(1000 MT)	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post estimate New	USDA Official	Post Estimate	Post estimate New
Market Year Begin		04/2007	04/2007		04/2008	04/2008	04/2009	04/2009	04/2009
Area Planted	44	44	44	0	0	44	0	0	44
Area Harvested	44	36	36	0	0	37	0	0	38
Production	3682	3682	2897	0	0	2600	0	0	3040
Total Supply	3682	3682	2897	0	0	2600	0	0	3040
Utilization for Sugar	3682	3682	2897	0	0	2600	0	0	3040
Utilization for Alcohol	0	0	0	0	0	0	0	0	0
Total Utilization	3682	3682	2897	0	0	2600	0	0	3040

Commodities:
Sugar, Centrifugal

Production:
Zimbabwe's two major sugar mills are the Triangle and Hippo Valley mills. Triangle is wholly-owned by Tongaat-Hullett of South Africa. In addition Tongaat-Hullett is the majority shareholder in Hippo Valley Estates. Each mill has a milling capacity of 300,000MT of sugar.

The total sugar production for the 2009/10 season is forecast to decrease by 7.74% from the previous season's 297,000MT to 274,000MT due to poor cane quality. The cane/sugar ratio is expected to increase to 11.09 because farmers did not have access to adequate fertilizer to apply on the crop last year.

Sugar production, however, could potentially increase to about 600,000 MT annually. The sugar producers plan not only to achieve the full crushing capacity but to increase sugar production from 600,000MT to 1 million MT within five years through a 60% increase in sugar cane production. The expansion of cane production will also ensure adequate feedstock for the ethanol production program.

The outlook for sugar expansion is bright. New fiscal policies currently being implemented by the government aimed at achieving macro-economic stability and the creation of an enabling environment for development are encouraging for the sugar industry.

Consumption:
In Zimbabwe sugar is largely consumed directly and a small percentage is through value-added products. At 18.07 kg raw sugar value, per capita consumption in 2008 was lower than in the previous year.

Annual domestic sugar sales are expected to reach 200,000MT in 2009. The low sugar production may lead to periodic sugar shortages on the domestic market. Sugar remained in short supply on the domestic market throughout 2008 mainly due to the uncompetitive government imposed prices and the lack of key inputs such as coal, fertilizers and power. Inadequate internal distribution logistics also contributed to the sugar shortage in the country.

In 2008 a total of 40 million liters of industrial ethanol was produced from molasses for export to Europe. In 2009 over 25 million liters of ethanol is expected to be produced.

Trade:

The preferential export quotas to the European Union (EU) and the USA will be supplied in full during the current marketing year. Total sugar exports to the EU, USA and the region are expected to reach 74,000MT in the 2009/10 season.

The ACP-EU Sugar Protocol that guaranteed preferential EU access and premium prices for sugar quotas from ACP Least Developed Countries (LDC) will terminate in September 2009. Zimbabwe will incur a revenue loss as a result of the EU sugar reforms. Preferential prices for sugar to the EU will fall 25% from the current €448.50/ton to €335.20/ton after September 2009. To compensate for the loss of this preferential access and revenue the EU has drawn up the Sugar Adaptation Strategy where it will avail €42 million over 6 years to the Zimbabwe Sugar Industry to assist the industry to adapt to the changing circumstances. In turn, the Zimbabwe Sugar Industry has developed an adaptation strategy to boost sugar production. The EU funding will be used to rehabilitate sugar cane production and milling. Specifically, the three-pronged strategy aims to arrest the decline in the industry, restore the industry sugar production to full capacity i.e. 600,000MT and to increase sugar production to 1 million MT within five years. It will receive funding annually for specific projects to meet the above objectives.

Despite the EU reforms, Zimbabwe's market in the EU is secure for the next 5 years. From September 2009 up to 2015, the country will enjoy duty free and quota free sugar access for exports into the EU, subject to the 'safeguard clause' of the Economic Partnership Agreement with the EU. This market security also creates opportunities for increasing exports to the EU.

In MY 2008/9 Zimbabwe exported 116,698MT sugar. The table below details the sugar exports.

Export Trade

Country	South Africa,
Commodity	Sugar, Centrifugal

Time Period	April/March	Units:	Mt
Exports for:	2007/08		2008/09
U.S.	12013	U.S.	0
Others		Others	
EU	53310	EU	73624
Namibia	34844	Namibia	31826
Botswana	17126	Botswana	11248
South Africa	0	South Africa	0
Kenya	4300	Kenya	0
Zambia	0	Zambia	0
Total for Others	109580		116698
Others not Listed	10041		0
Grand Total	131634		116698

Total sugar exports fell 11.35% from 131,634MT in 2007/08 to 116,698 in 2008/9. A breakdown of the 2008/9 MY exports based on sugar type is presented in the table below. Zimbabwe exported 97,602MT of raw sugar and 19,096MT refined sugar in 2008/9.

Destination	Raw (MT)	Refined (MT)	Total (MT)
USA	**0**	**0**	**0**
EU	**73,624**	**0**	**73,624**
Namibia	**23,230**	**8,596**	**31,826**
Botswana	**748**	**10,500**	**11,248**
Total	**97,602**	**19,096**	**116,698**

Small quantities of refined sugar were imported duty-free from the third quarter of 2008 after the local industry failed to satisfy the domestic market mainly due to the government imposed sub-economic regulated retail prices of locally produced sugar. In September 2008, in an effort to improve the availability of basic commodities, the government relaxed import regulations and classified sugar as an essential commodity that could be imported duty free. This allowed individuals and retailers to import refined sugar. However, import quantities have been difficult to capture although it is estimated that only a few hundred tons were imported in the country between November 2008 and March 2009.

Marketing:

Domestic Prices

Zimbabwe’s economy in 2008 was characterized by unprecedented levels of hyperinflation, which rose from 100,580% in December 2007 to 231 million percent, last published in July 2008. The macro economic environment deteriorated at an accelerated pace and the Zimbabwe dollar rapidly lost value. This adverse macroeconomic environment created a challenging business environment characterized by widespread shortages of basic goods and resulted in the near collapse of the formal retail systems.

The recent economic and fiscal policy measures announced at the beginning of the year brought about significant positive changes in management of the economy. Among the most significant were the liberalization of the foreign exchange system, the removal of price controls and the adoption of multi currencies (US dollar, South African Rand, Euro and Botswana Pula) as legal tender with effect from 1 February 2009.

Sugar remained subject to stringent government-imposed price controls throughout 2008. Price controls posed serious viability problems in the industry emanating from suppressed sugar prices that seriously lagged behind the prevailing hyperinflation. Consequently, local sugar sales were halted in January 2009 but resumed in February 2009 after Zimbabwe officially adopted multiple currencies as legal tender.

In the 2008/9 marketing year, sugar prices were reviewed sixteen times. The table below shows these historical sugar price changes. The effects of hyperinflation are evident from the rapid increases both in terms of monetary valuations and the frequency of the price reviews. Between August 2008 and January 2009, the government removed a total 22 zeros from the local currency. On 1 August 2008, the local currency was re-denominated by a factor of 1:10,000,000,000 which effectively meant the removal of 10 zeros from the old monetary values. Again, in January 2009 the currency was re-denominated by a factor of 1: 1,000,000,000,000 or the removal of 12 zeros. With effect from February 1st domestic prices are now quoted in US dollars or the South African Rand.

Date	Raw sugar price 98.7% POL	% Change	Z$ Refined Price/kg	% Change	Z$ Semi-refined price/kg	% Change
19/12/08	**102,511,900,000**	**7797.1**	**178,000,000,000**	**7797.1**	**168,000,000,000**	**7746.8**
05/12/08	**1,298,100,000**	**163.2**	**2,254,000,000**	**163.3**	**2,141,000,000**	**163.0**
20/11/08	**493,268,500**	**558.6**	**856,000,000**	**558.5**	**814,000,000**	**559.1**
31/10/08	**74,891,991**	**456.5**	**130,000,000**	**480.4**	**123,500,000**	**478.2**
23/10/08	**13,457,344**	**100.0**	**22,400,000**	**99.7**	**21,360,000**	**100.0**
30/09/08	**6,728,672**	**5203.7**	**11,214,960**	**2813.0**	**10,680,000**	**2951.4**
02/09/08	**126,868**		**385,000**		**350,000**	
20/08/08			**4,800**		**4,295**	
04/08/08			**1,700**		**1,600**	
30/07/08	**5,092,267,654,000**	**-79.2**	**8,500,000,000,000**		**8,000,000,000**	
18/07/08	**24,506,395,648,000**	**381.2**	**43,000,000,000,000**	**405.9**	**39,000,000,000**	**387.5**
04/07/08	**5,092,267,654,000**	**383.6**	**8,500,000,000,000**	**400**	**8,000,000,000,000**	**400.0**
14/06/08	**1,052,940,000,000**	**773.3**	**1,700,000,000,000**	**769**	**1,600,000,000,000**	**777.7**

14/05/08	**120,564,563,400**	**841.3**	**195,625,2000,000**	**854.3**	**182,300,000,000**	**843.8**
17/04/08	**12,808,214,000**	**511.8**	**20,500,000,000**	**507.0**	**19,314,780,000**	**517.2**
08/02/08	**2,093,508,434**	**849.0**	**3,377,440,700**	**849.0**	**3,129,168,360**	**849.0**

Production, Supply and Demand Data Statistics:

Country	**Zimbabwe**								
Commodity	**Sugar, Centrifugal**						(1000 MT)		
	2008	Revised		2009	Estimate		2010	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		04/2007	04/2007		04/2008	04/2008		04/2009	04/2009
Beginning Stocks	45	45	45	30	63	63	40	72	72
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	400	452	349	350	297	297	0	0	274
Total Sugar Production	400	452	349	350	297	297	0	0	274
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	445	497	394	380	360	360	40	72	346
Raw Exports	85	95	95	50	97	97	0	0	74
Refined Exp.(Raw Val)	50	59	59	30	19	19	0	0	0
Total Exports	135	154	154	80	116	116	0	0	74
Human Dom. Consumption	280	280	216	260	172	172	0	0	200
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	280	280	216	260	172	172	0	0	200
Ending Stocks	30	63	63	40	72	72	0	0	72
Total Distribution	445	497	394	380	360	360	0	0	346