

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/14/2011

GAIN Report Number:

South Africa - Republic of

Sugar Annual

The report discusses sugar production and demand in South Africa

Approved By:

Ross Kreamer

Prepared By:

Dirk Esterhuizen

Report Highlights:

Sugar cane production in South Africa is expected to decline even further in the 2011/12 season due to the secondary impact of the worst drought in 20 years that hit the main sugar producing area in 2010.

The forecast for the 2011/12 season sugar cane crop is 15.0 MMT, which is 1.0 MMT lower than the estimated 2010/11 season's crop of 16.02 MMT. Sugar production for the 2010/11 season is estimated at 1.91 million tons Tell Quell (1.98 MMT raw value), which is the smallest in 15 years. South Africa's sugar exports for the 2010/11 season are estimated to decline sharply to about 500,000 MT, on the back of declining production and a stronger South African Rand against the dollar.

Executive Summary:

The worst drought in 20 years in the main sugar producing area of South Africa pushed the 2010/11 season sugar cane crop down 14 percent lower than the previous year at 16.02 MMT. The 2009/10 sugar cane crop of 18.66 MMT was already 600,315 tons or 3.1 percent lower than the previous season. The secondary impact of the drought will also affect the 2011/12 sugar cane crop; hence post forecasts a one million ton drop in sugar cane production to 15.0 MMT. For the 2010/11 season sugar production is estimated at 1.91 MMT Tell Quell (1.98 MMTRV), which is 13 percent lower than the 2009/10 season's sugar production of 2.19 MMT Tell Quell (2.27 MMTRV).

South Africa exported 552,461 MT of raw sugar and 259,267 MT (277,416 MTRV) of refined sugar during the 2009/10 season. Sugar exports for the 2010/11 season are expected to decrease sharply to 270,000 MT raw sugar and 230,000 MT refined sugar (246,100 MTRV), on the back of lowest sugar production in 15 years in South Africa. South Africa has already delivered the full amount of sugar on their 2010/11 Unites States tariff rate allocation.

Sources:

<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=R6.70 (04/12/2011)

Sugar cane

Production

South African sugar cane growers continue to farm under increasingly difficult situations and sugar cane production continued its declining trend in the 2010/11 season (see also Figure 1). Sugar cane production for the 2010/11 season, which started in April 2010, is estimated at 16.02 MMT. This is 14 percent less sugarcane crushed than the 18.66 MMT in the 2009/10 season and 17 percent less than in the 2008/09 season. The major reason for the decline in sugar cane production in the 2010/11 season was that large parts of the KwaZulu-Natal province, where 75 percent of South Africa's sugar cane is produced, experienced the worst drought in 20 years.

Sugar cane production in the 2011/12 season is expected to decline even further due to the secondary impact of the 2010 drought. Despite the above average rainfall received in last two months of 2010, the associated impacts of the drought, such as cane root mortality and the forced harvest of young cane will affect the 2011/12 sugar cane crop. The South African sugar industry expects that the cane available for harvest in the first half of the 2011/12 season will be limited. This is particularly true for the inland growers that operate on an 18 to 24 month cycle where production is expected to be 30 percent down on the 2010/11 season. On the North and South Coasts of Kwazulu-Natal, areas hardest hit by the drought, it is unlikely that there will be any considerable harvesting until later in the season. Hence, post forecasts that that the 2011/12 season sugar cane production will be about a million tons less than in the 2010/11 season at around 15 MMT.

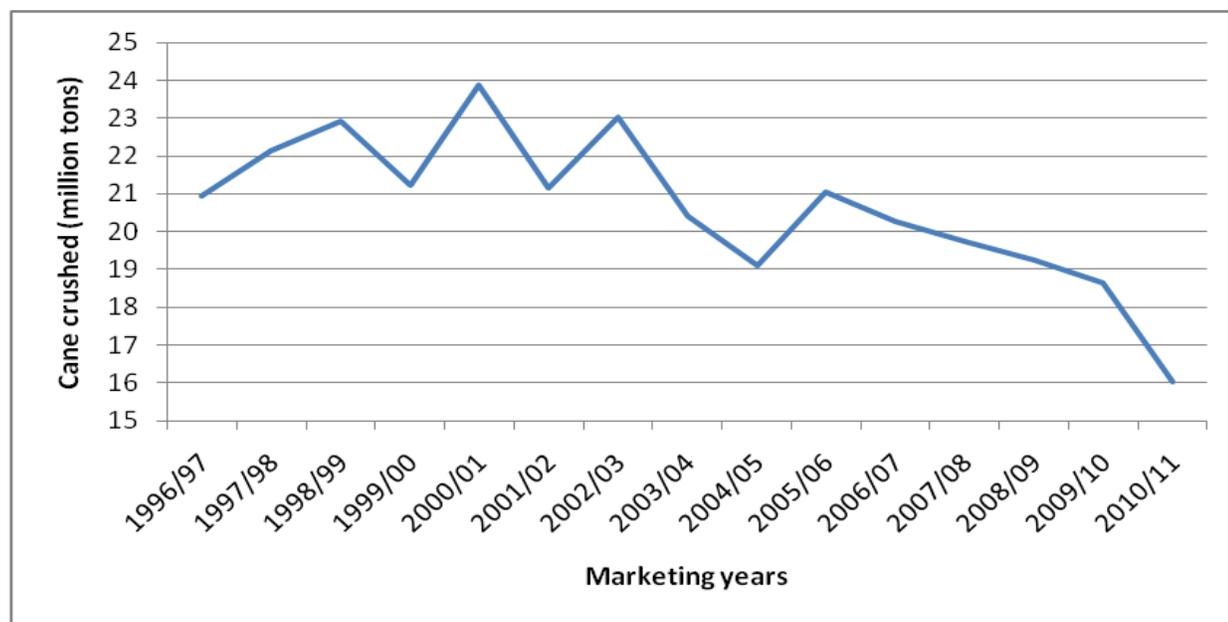


Figure1: The declining trend in sugar cane production in South Africa

The sugar area to be harvested for the 2010/11 season is estimated to decline by 7 percent to 270,000 hectares. Total sugar area harvested in the 2009/10 season was 291.770 hectares, 6.3 percent lower than the 311,425 hectares harvested in the 2008/09 season.

For the 2010/11 season, sugar production is estimated at 1.91 MMT Tell Quell (1.98 MMTRV), the smallest in 15 years. The cane to sugar ratio was 8.39. The 2009/10 season sugar production was 2.19 MMT Tell Quell (2.27 MMTRV), 3.6 percent less than in the 2008/09 season. Table 1 illustrates the production of sugar in South Africa for 2008/09 (actual), 2009/10 (actual) and 2010/11 (estimate) and 2011/12 (forecast) marketing years.

Table 1: The production of sugar in South Africa

Season	Area planted (HA)	Area harvested (HA)	Yield (MT/HA)	Cane crushed (MT)	Sugar production (MT*)	Cane/sugar ratio
2008/09	413,566	311,425	61.8	19,255,404	2,269,087	8.49
2009/10	391,483	291,770	63.9	18,655,089	2,187,542	8.53
2010/11	390,000	270,000	60.0	16,016,000	1,909,000	8.39
2011/12	380,000	245,000	61.2	15,000,000	1,775,000	8.45

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

Cane prices

The South African sugar industry exports nearly 40 percent of its sugar production to the world market annually. In order to distribute exposure to the world market equitably amongst growers and millers, the South African Sugar Association (SASA) has implemented a Division of Proceeds. The Division of Proceeds is the formula where revenue that accrues to the sugar industry is allocated to millers and growers under a partnership arrangement. The Sugar Act and the Sugar Industry Agreement provide regulatory support for the Division of Proceeds.

Industry revenues earned from domestic and export sales of sugar and molasses are accounted for by the SASA. After the deduction of administration costs, the net proceeds are shared between growers and millers at a predetermined percentage of net proceeds (see also figure 2). Cane growers are thus paid for their sugar cane according to the quality of the cane delivered to the mill through this 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. A provisional Recoverable Value (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.

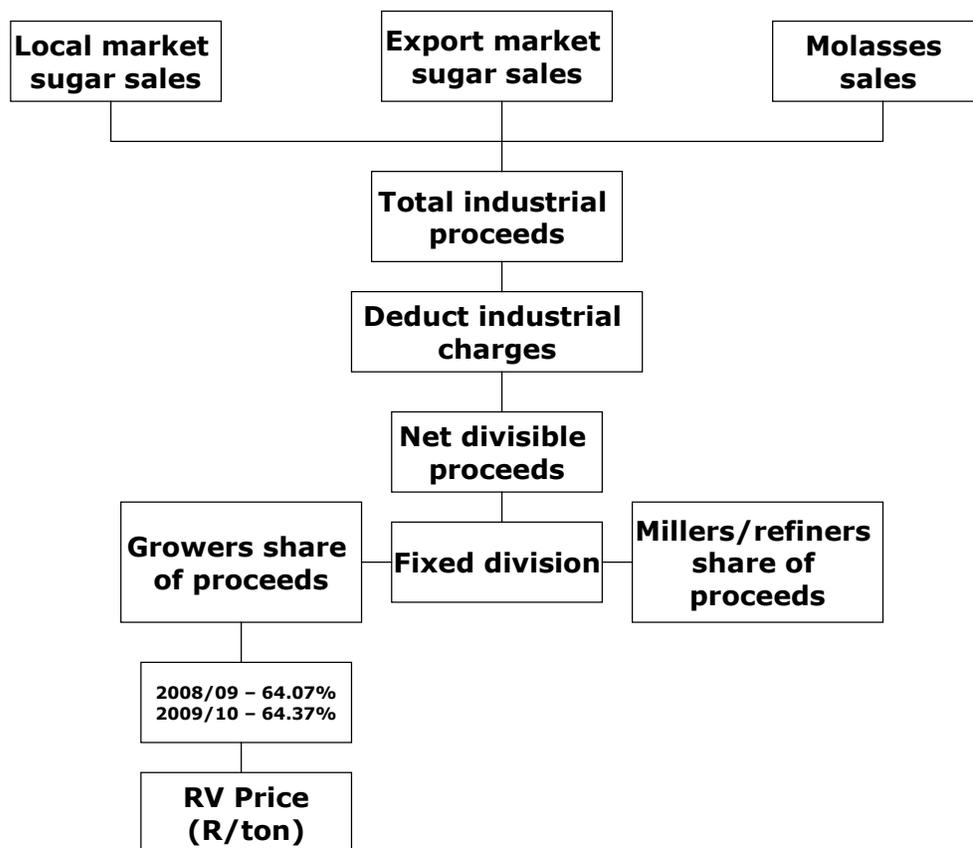


Figure 2: The Division of Proceeds

The final Recoverable Value (RV) price for sugar in the 2010/11 marketing season was set at R2,572.14 per ton. This price is nearly 13 percent higher than the previous season's RV price of R2,284.20 and reflects the decline in domestic sugar production. Average cane and RV prices the past 9 years for the industry paid by millers to growers are shown in Table 2.

Table 2: Average Recoverable Value and cane prices

Year (Apr – March)	RV Price (Rand)	Cane Price (Rand)	Average 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	251.00	8.87
2009/10	2 284.20	284.15	7.80
2010/11	2 572.14	300.00	7.15

Sugar Cane for Centrifugal South Africa	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	405	391	405	390		380
Area Harvested	300	292	301	270		245
Production	18,655	18,655	18,670	16,016		15,000
Total Supply	18,655	18,655	18,670	16,016		15,000
Utilization for Sugar	18,655	18,655	18,670	16,016		15,000
Utilization for Alcohol	0		0	0		0
Total Utilization	18,655	18,655	18,670	16,016		15,000
1000 HA, 1000 MT						

Sugar

Production

For the 2010/11 season sugar production is estimated at 1.91 MMT Tell Quell (1.98 MMTRV), which is 13 percent lower than the 2009/10 season's sugar production of 2.19 million tons Tell Quell (2.27 million MTRV). Post forecasts that sugar production in the 2011/12 marketing year will even be lower at 1.78 MMT Tell Quell (1.84 MMTRV) on the back of lower sugar cane production due to the secondary impacts of last year's drought.

Consumption

The South African Customs Union (SACU) is the primary market for the South African sugar industry. The SACU market comprises South Africa, Botswana, Lesotho, Namibia and Swaziland. Access to the market is regulated by the Southern African Development Community Sugar Cooperation Agreement. South Africa and Swaziland are the only sugar producers in SACU and together produce in excess of the region's sugar demand, which is estimated at 1.92 MMT.

The per capita consumption for sugar in SACU has decreased in the 2009/10 season to 34.5kg from 35.8kg in the 2008/09 season. The main reasons for this decline were the increase in the retail price of sugar and the slow recovery of the South African economy after the 2008 financial crisis. However, the long-term prospects for increased sugar consumption remain good as the South African economy is expected to grow by more than 3 percent per annum from 2011. Table 3 illustrates the retail prices of a 1 kilogram bag and 2.5 kilogram bag of sugar in South Africa. The increase in retail sugar prices reflects the increase in producer prices due to the decline in domestic production.

Table 3: The retail price trends of sugar in South Africa

Product	Price level (R/bag)	Percentage change
---------	---------------------	-------------------

	Jan 2010	Apr 2010	Jul 2010	Oct 2010	Jan 2011	Jan 2010 to Jan 2011
White sugar 1kg bag	9.11	9.62	9.73	9.99	9.96	9.23
White sugar 2.5kg bag	19.73	18.92	18.85	21.89	22.76	15.31

Source: NAMC

It is estimated that the South African sugar industry will supply 1.52 MMT and Swaziland 325,000 MT of sugar to the SACU market in the 2010/11 season. For the 2011/12 season, South African sugar sales into the SACU market are expected to increase by 1.5 percent to 1.54 MMT. Of South Africa's SACU sales, approximately 42 percent is sold to industrial customers, with the balance sold directly to consumers at retail. Approximately 80 percent of sugar sold to customers is refined sugar and the balance brown sugar. Table 4 contains South African sugar sales into the SACU market for the 2009/10 (actual), 2010/11 (estimate) and 2011/12 (forecast) marketing years.

Table 4: South African sales of sugar into the SACU market

MT *	2009/10	2010/11	2011/12
White sugar	1,178,156	1,212,520	1,230,000
Brown sugar	307,774	303,130	308,000
Direct sales	858,070	879,077	893,000
Industrial sales	627,860	636,573	645,000
Total sales	1,485,930	1,515,650	1,538,000
MTRV	1,589,945	1,621,745	1,645,660

*Refined x 1.07 = Raw value

Trade

South Africa exported 552,461 MT of raw sugar and 259,267 MT (277,416 MTRV) of refined sugar during the 2009/10 season. The 2009/10 sugar exports were 38 percent of total production, of which 22,806 MT were exported to the United States. Sugar exports for the 2010/11 season are expected to decrease sharply to 270,000 MT raw sugar and 230,000 MT refined sugar (235,400MTRV), on the back of lower domestic sugar production. South Africa has already delivered on their 2010/11 United States tariff rate sugar allocation.

Exports and imports for raw sugar and refined sugar for the 2009/10 marketing year are shown in the trade matrixes. For the 2010/11 marketing year imports and exports from April 2010 to January 2011 are shown. Japan (71,336 raw sugars) and Mozambique (35,021 MT raw sugar and 66,427 MT refined sugar) were the major export destinations, outside the SACU market, for South African sugar in the 2010/11 marketing year. Sugar imports represent approximately 6 percent of production and are mostly from Brazil.

Export Trade

Country South Africa,
Commodity Cane Sugar

Time Period	My	Units:	Mt
Exports to:	2009/10		2010/11*
U.S.	22,806	U.S.	23,205
Others		Others	
Indonesia	155,450	Japan	71,336
Japan	131,750	Mozambique	35,021
Mozambique	54,077	Angola	19,328
Bangladesh	50,125	Zimbabwe	24,577
Iran	33,000	Tanzania	10,710
India	30,000	Madagascar	8,488
Russia	25,000	Sudan	5,313
Zimbabwe	33,098	Kenya	5,058
Total for Others	512,500		179,831
Others not Listed	17,155		10,719
Grand Total	552,461		213,755

*April 2010 to January 2011

Export Trade

Country	South Africa,		
Commodity	Refined sugar*		
Time Period	My	Units:	Mt
Exports to:	2009/10		2010/2011**
U.S.	0	U.S.	0
Others		Others	
Mozambique	89,752	Mozambique	66,427
Sudan	35,130	Madagascar	25,347
Madagascar	23,050	Kenya	18,311
Kenya	21,016	Uganda	14,354
Angola	22,566	Indonesia	10,403
Tanzania	17,417	Mauritius	10,008
Uganda	17,040	Sudan	7,344
Zimbabwe	10,414	Ghana	5,954
Total for Others	236,385		158,148
Others not Listed	22,882		22,008
Grand Total	259,267		180,156

*Refined x 1.07 = Raw value

**April 2010 to January 2011

Import Trade

Country	South Africa,		
Commodity	Cane Sugar		

Time Period	My	Units:	Mt
Imports form:	2009/10		2010/11*
U.S.	0	U.S.	0
Others		Others	
Brazil	32,941	Brazil	25,803
Total for Others	32,941		25,803
Others not Listed	2,833		26,444
Grand Total	35,774		52,247

*April 2010 to January 2011

Import Trade

Country	South Africa,		
Commodity	Refined sugar*		
Time Period	My	Units:	Mt
Exports to:	2009/10		2010/11**
U.S.	0	U.S.	0
Others		Others	
Brazil	61,434	Brazil	46,647
United Arab Emirates	3,905	United Arab Emirates	2,808
Total for Others	65,339		49,455
Others not Listed	909		2,540
Grand Total	66,248		51,995

*Refined x 1.07 = Raw value

** April 2010 to January 2011

Sugar, Centrifugal South Africa	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Apr 2009		Market Year Begin: Apr 2010		Market Year Begin: Apr 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	30	30	70	70		140
Beet Sugar Production	0	0	0	0		0

Cane Sugar Production	2,265	2,265	2,140	1,975		1,775
Total Sugar Production	2,265	2,265	2,140	1,975		1,775
Raw Imports	50	50	70	70		90
Refined Imp.(Raw Val)	150	150	180	150		180
Total Imports	200	200	250	220		270
Total Supply	2,495	2,495	2,460	2,265		2,185
Raw Exports	553	553	550	270		250
Refined Exp.(Raw Val)	277	277	250	230		200
Total Exports	830	830	800	500		450
Human Dom. Consumption	1,590	1,590	1,620	1,620		1,645
Other Disappearance	5	5	5	5		5
Total Use	1,595	1,595	1,625	1,625		1,650
Ending Stocks	70	70	35	140		85
Total Distribution	2,495	2,495	2,460	2,265		2,185
1000 MT						