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South Africa, Republic of

Sugar

Semi-Annual

2003

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Report Highlights:

After record sugar production in the 2002/03 season, the current 2003/04 season is not doing that well. At this stage it is estimated that 2.5 million tons of raw sugar will be produced from 20.5 million tons of cane compared to the 2.93 million tons of sugar from 23 million tons of cane produced in the previous season. The current level of production will still allow exports of about 1.3 million tons.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Pretoria [SF1], SF

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Executive Summary

South Africa produced a record 2.93 million tons of raw sugar from 23 million tons of cane during the FAS 2003, local 2002/03 milling season. The current, FAS 2004, season is not doing that well. At this stage it is estimated that about 2.5 million tons of raw sugar will be produced from about 20.5 million tons of cane. The production decline is mainly attributed to dry weather. With domestic consumption around 1.6 million tons per annum, and taking regional imports of about 250,000 tons into account, the crop should still allow exports of about 1.3 million tons. The eagerly awaited summer rainfall season, due to start soon, will have a significant effect on the upcoming season.

www.sugar.org.za

www.sacanegrowers.co.za

Sugar Cane

PSD Table						
Country	South Africa, Republic of					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		04/2001		04/2002		04/2003
Area Planted	433	432	434	435	345	435
Area Harvested	330	326	328	329	330	330
Production	21157	21157	23013	23013	21270	20517
TOTAL SUPPLY	21157	21157	23013	23013	21270	20517
Utilization for Sugar	21157	21157	23013	23013	21270	20517
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	21157	21157	23013	23013	21270	20517

Production

A new record for sugar production was set in the 2002/03 (FAS 2003) season, with 23 million tons of cane producing 2.76 million tons Tell Quell (TQ) or 2.93 million tons raw (mtrv) sugar. The previous record was reached in 2000/01 when 2.73 million ton T Q or 2.9 million ton raw value was produced from 23.9 million tons of cane.

Prospects for the current 2004 season are not that rosy. Traditionally a very good crop is followed by a lower crop since the cutting cycle may have been broken. Rainfall for the current season has also been lower than in the previous year and in some areas a drought has developed. The crop estimate has been declining as the season progressed. The current estimate is for 20.5 million tons of cane to be cut producing 2.38 million tons TQ or 2.53 mtrv sugar. The following table contains the details.

Season April/March	Cane cut '000 mt.	Yield Mt./ha harvested	Tell quell Sugar '000 Mt.	Tons cane/ton sugar, mt.
1998/1999	22,930	72.5	2,646	8.67

1999/2000	21,223	67.7	2,532	8.38
2000/2001	23,876	74.0	2,729	8.75
2001/2002	21,157	65.0	2,396	8.83
2002/2003	23,013	70.0	2,763	8.33
2003/2004 est.	20,517	62.2	2,381	8.62

Centrifugal Sugar

PSD Table						
Country	South Africa, Republic of					

Commodity	Centrifugal Sugar		(1000 MT)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		04/2001		04/2002		04/2003
Beginning Stocks	455	455	450	450	505	490
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2542	2542	2930	2931	2655	2527
TOTAL Sugar Production	2542	2542	2930	2931	2655	2527
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	263	263	270	269	240	253
TOTAL Imports	263	263	270	269	240	253
TOTAL SUPPLY	3260	3260	3650	3650	3400	3270
Raw Exports	935	935	1200	1215	1100	1000
Refined Exp.(Raw Val)	300	300	350	350	300	300
TOTAL EXPORTS	1235	1235	1550	1565	1400	1300
Human Dom. Consumption	1570	1570	1590	1590	1595	1595
Other Disappearance	5	5	5	5	5	5
Total Disappearance	1575	1575	1595	1595	1600	1600
Ending Stocks	450	450	505	490	400	370
TOTAL DISTRIBUTION	3260	3260	3650	3650	3400	3270

Production

The PS&D table shown above is done on a raw sugar basis. As discussed in the sugar cane section of the FAS 2003, local 2002/03 season, produced 2.863 million tons TQ sugar or 2.93 million tons raw value at the standard 1.061 conversion factor. The FAS 2004, local 2003/04 season is forecast to produce 2.38 million ton TQ or 2.527 million mtrv.

Consumption

The domestic market is supplied by the local industry but under the Southern African Development Community (SADC) agreement some supplies are allowed in from Zimbabwe, Zambia and Malawi while sugar from the customs union partner, Swaziland, is also allowed in free of duty. These sales are not included in the SASA consumption figures shown overpage. The following table contains details of domestic sales by the local industry.

Season	White metric tons	Brown metric tons	Direct sales	%	Industrial sales	%	Total sales Metric tons

1998/99	1 072 230	148 150	808 884	66.3	411 496	33.7	1 220 380
1999/00	1 069 494	160 551	811 591	66.0	418 454	34.0	1 230 045
2000/01	1 140 308	170 788	879 529	67.1	431 567	32.9	1 311 096
2001/02	1 066 168	161 047	819 273	66.8	407 492	33.2	1 227 215
2002/03	1 218 766	194 029	924 146	65.4	488 649	34.6	1 412 795

The consumption figures in the PS&D includes the regional imports.

Policy

The South African Sugar Association (SASA) is constituted in terms of the Sugar Act which grants the industry statutory powers of self government. The Act provides for an agreement to regulate the affairs of the industry including cane growers and sugar producers. The Sugar Industry Agreement covers the following:

The administration of cane production.

The co-ordination of the supply of cane to the mills.

Dispute resolution.

The determination of the quantity of sugar required for the domestic market.

The marketing of the exportable raw sugar surplus by SASA on behalf of the industry.

The pooling of the proceeds of the exports and the division of the proceeds between the growing and milling sections.

The determination of the cane delivery price.

The imposition of levies to cover the costs of the SASA.

The control of pests and diseases.

The division of proceeds is the formula through which revenues are allocated to the millers and growers as part of the partnership agreement. Total proceeds from the sale of local market and export market sugar and molasses are accounted for to the SASA. After deduction of industrial charges, the net divisible proceeds are shared between growers, millers and refiners in terms of a fixed division of proceeds formula provided for in the sugar industry agreement. The growers' share of proceeds are usually about 63%.

Cane payment system:

At the start of the 2000/01 season the sucrose payment system was replaced by the Recoverable Value, (RV) payment system. The RV system recognizes the effect of Sucrose % in the cane, Non-sucrose % and Fibre % . Cane quality or RV % of cane is determined by maturity, freshness and cleanliness of the cane delivered to the mill. Other critical determinants of the RV price are the size of the crop, the world market price, the exchange rate and the performance of the domestic market.

Recent RV prices are;

2000/01 R1105/ton, 2001/02 R1352/ton, 2002/03 R1369/ton and up to August 2003 R1433.93 per ton RV.

For 2003/04 up to August the average RV was 12.23% and the cane price thus amounted to R175.37/ton or \$23.38/ton at \$=R7.50.

For 2002/03 the average RV was 12.55% and the cane price thus amounted to R171.80/ton, \$21.50 at \$=R8.0.

For 2001/02 the average RV was 11.85% and the cane price thus amounted to R160.20/ton, \$18.60 at \$=R8.6.

For 2000/01 the average RV was 11.82% and the cane price thus amounted to R130.50/ton, \$18.80 at \$=R6.9.

Marketing

Imports are limited by the R862/ton import duty. There is a market access allowance for Zimbabwe, Zambia and Malawi under the SADC agreement while sugar from within the customs union, (Swaziland), is allowed in free of duty. There is a quantity limitation, thought to be about 250,000 tons, but details have not been released.

A Dollar Based Reference Price (DBRP) tariff system for sugar has been in operation since 2001. The DBRP was set at \$330/ton. The tariff is the difference between the DBRP and the 20- day moving average of the no.5 white price as quoted on the London exchange. The tariff is converted to Rand at the exchange rate on the day of the tariff trigger.