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Sugar Annual

The report describes sugar production and demand in Zimbabwe

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Report Highlights:

Sugar production in Zimbabwe for the 2010/2011 season is forecaste to increase from the 2009/10 season's 259,000MT to 300,000MT. In the 2008/09 season Zimbabwe produced 297,864MT of sugar. Zimbabwe exported about 148,000MT of sugar, mainly to the European Union, in 2009 and has already filled their allocation of tariff rate quota exports to the United States.

Executive Summary:

Sugar cane production for the 2010/11 season is forecast at 2,565,000MT on 38,000 hectares. This is 9.7 percent more than in the 2009/10 season. Sugar cane production in 2009/10 season declined by 9.44 percent to 2,338,300 MT from an area of 36,174 hectares compared to the 2008/09 season's production of 2,582,200MT of cane from 35,520 hectares. The 2009/10 season average sugar cane yield of 64.6MT/ha was lower than the 2008/9 season average yield of 68.8MT/ha.

Total sugar production in the 2010/2011 season is forecast to increase from last season's 259,000MT to 300,000MT, due to timely application of required inputs following improvements in the economy as a result of dollarization in 2009. In the 2008/09 season 297,864MT of sugar was produced in Zimbabwe.

With the advent of dollarization, domestic prices are now US dollar denominated and are currently more competitive than prices in the regional export markets. Zimbabwe exported about 148,000MT of sugar, mainly to the European Union, in 2009 and has already filled their allocation of tariff rate quota exports to the United States. Sugar exports for the 2010/11 season are projected to reach 150,000MT.

Sugar cane**Production**

Sugar cane is grown under irrigation in the south-east lowveld of Zimbabwe; about 445km south east of Harare where the climate presents perfect conditions for production. The two large estates, Triangle Limited and Hippo Valley, together produce about 80% of the country's sugar cane. Tongaat Hulett Limited, a South African agro-processing group, owns a 100% of Triangle Limited and a 50.35% stake in Hippo Valley Estates. Two groups of farmers, commercial farmers and newly resettled farmers produce the remaining 20% of the country's sugar cane.

For the 2009/10 season, which started in April 2009, sugar cane production amounted to 2,338,300 MT from an area of 36,174 hectares compared to the 2008/9 season production of 2,582,200MT of cane from 35,520 hectares. The 2009/10 season average sugar cane yield of 64.6MT/ha was lower than the 2008/9 season average yield of 68.8MT/ha. Sugar cane production in 2009/10 was adversely affected by the poor economic environment prevalent in 2008 (characterized by shortages of foreign currency and hyperinflation which adversely affected crop inputs) that resulted in limited and delayed application for herbicides and fertilizers. Frequent power outages in 2009 impacted negatively on ability to irrigate, thus affecting yield potential. Climatic conditions were excellent and were conducive to good growth, with long sunshine hours and high heat units.

The table below contains production details of sugar in Zimbabwe for 2008/09 (actual), 2009/10 (estimate) and 2010/11 (forecast) marketing years:

Season	Area (ha)	Cane crushed (MT)	Yield MT/ha	Sugar production (MT)	Cane/sugar ratio
2010/11	38 000	2,565,000	67.5	300 000	8.55
2009/10	36 174	2,338,300	64.6	258 962	9.03
2008/09	35 320	2,582,200	68.8	297 864	8.67
2007/08	35 580	2,897,149	81.4	349 269	8.29
2006/07	43 480	3,681,784	84.7	446 654	8.24
2005/06	44 788	3,530,210	78.8	429 476	8.22

The first Sugar Association estimate of tons of sugar cane that will be cut as well as the sugar cane area that will be harvested in the 2010/11 milling season that just commenced on 1st April are not yet available. However, there are indications that sugar cane production in the 2010/11 season will increase due to the dollarization of the economy in 2009. An improvement in sugar cane yields is expected, through the timely application of required inputs. Dams supplying the sugar estates with irrigation water have adequate water for a full allocation in the 2010/2011 growing season. Sugar cane production for the 2010/11 season is forecast at 2,565,000MT on 38,000 hectares. This is 9.7 percent more than in the 2009/10 season.

Sugar cane from the large cane estates and out-growers is crushed at the Triangle and Hippo Valley mills, which have a combined cane crushing capacity of 4.8 million tons of cane in a 38-week crushing season.

The cane price paid to producers is based on sugar percentage and is a blend of proceeds from all the markets.

Other sugar cane developments

The government in partnership with two private investment companies has entered into a 20-year agreement to produce sugar cane at two large quasi-government estates in the lowveld for processing into ethanol. The two large estates have good irrigation infrastructure in need of revamping and repairs after years of neglect due to inadequate financial resources. The ambitious project referred to as a 'build, operate and transfer' (BOT) arrangement is in phases and has plans to establish about 20,000 hectares of sugar cane for processing into ethanol for blending with fuel. There are plans to construct an ethanol distillery plant on site with a capacity of 35,000 to 40,000 liters per day and it is timed to be in place and begin operation in 2011. Under a BOT arrangement, a contractor undertakes to develop a project, recover costs and make profit from it before handing it over to the project owner in a viable position. Through this project, the government's aims are the reduction of dependence on petroleum, importation costs and promotion of a cleaner environment.

By the end of January 2010 about 2,000 hectares was made available, comprising approximately of 1,200 hectares of commercial cane, which will be harvested in April 2011, and 800 hectares of seed cane. This sugar cane production area will be included in next season's cane area statistics as the cane will be ready for harvesting.

Sugar Cane for Centrifugal Zimbabwe	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Planted	42		42			42			45
Area Harvested	42		35			36			38
Production	3,500		2,582			2,338			2,565
Total Supply	3,500		2,582			2,338			2,565
Utilization for Sugar	3,500		2,582			2,338			2,565
Utilization for Alcohol	0		0			-			0
Total Utilization	3,500		2,582			2,388			2,565

Sugar

Production

Total sugar production in the 2010/2011 season that extends from April 2010 to March 2011 is forecasted to increase from last season's 259,000MT to 300,000MT. Whilst this represents an increase in sugar output of 15.8% compared to last season's production, it is only half of the milling capacity, which is 600,000MT per year.

Poor mechanical efficiencies were experienced at both of the mills during harvesting time and this adversely affected sugar production in 2009. The harsh economic conditions prevailing at the end of 2008 and the beginning of 2009 affected the mills' ability to adequately service the mills and harvesting equipment and thus had a negative effect on sugar production in 2009. Plans are underway to restore sugar production to the existing installed capacity of 600,000MT per year as well as upgrade the two mills to increase production capacity to 820,000MT per year. The transport fleet that transports sugar to the mills has also been targeted for upgrading.

Consumption

Total sugar channeled to the domestic market in 2009 reached 153,000MT. Demand was strong and outstripped local supply. Sugar imports complemented local supply. The Zimbabwe Revenue Authority (ZIMRA) reports that 39,330MT sugar was imported into Zimbabwe.

Sugar is largely consumed directly, with a very small percentage consumed through value-added products. Per capita consumption in 2009 estimated at 18.21kg raw sugar value per person was marginally higher than the 2008 consumption of 18.07kg raw value per person. Consumption patterns are more influenced by availability rather than price.

Annual sugar sales in the domestic market are expected to reach 200,000MT in 2010.

Domestic prices

The recent changes in economic and fiscal policy implemented in the first quarter of 2009 resulted in the removal of government-imposed price controls and pricing in US dollars. Domestic sugar prices have been restored in line with regional levels.

Domestic sugar prices were reviewed only once in 2009 and are presented on the table below.

Date	Raw sugar price/T	Refined Sugar price/T	Semi-refined price/T
Feb-Sept 2009	\$424.00	\$770.00	\$710.00
Oct 2009-March 2010	\$445.00	\$860.00	\$800.00

Trade

The scrapping of the Zimbabwe dollar at the height of macro-economic instability and hyperinflation and the adoption of the multi-currency system (dollarization) in March 2009, resulted in some positive developments in the economy. It has eliminated foreign exchange risk. Dollarization has led to changes in the marketing of sugar regionally. Prior to dollarization, unrealistic government controlled local prices of sugar made it attractive to sell both raw and refined sugar in the region where proceeds were in US dollars. With the advent of dollarization, US dollar-denominated domestic prices are now more competitive than prices in the regional export markets. Consequently, exports to the regional markets only took place in the first three months of 2009, before dollarization. Since dollarization, sugar exports are now on a commercial basis i.e. dependant on prices.

About 148,000MT of sugar was exported in 2009, mainly to the EU. In 2010 it is estimated that total exports will reach 150,000MT. The USA quota in 2010 is 12,106MT and has already been supplied in full. The ACP-EU Sugar protocol that guaranteed preferential EU access and premium prices for sugar quotas from ACP's least developed countries terminated in September 2009. Zimbabwe no longer has a quota and in 2009 increased exports to the EU to more than the original quota. Exports to the EU will be dependent on favorable sugar prices and currently EU sugar prices are on par with the local sugar price. Zimbabwe's market to the EU is secure for the 5 years from September 2009 to 2015 and the country can export duty-free and quota free sugar to the EU subject to the 'safeguard clause' of the Economic Partnership Agreement with the EU.

The table below shows details of sugar exports in the previous two calendar years.

Exports

Export Trade

Country Zimbabwe

Commodity Sugar, Centrifugal

Time Period	CY	Units:	MT
Exports for:	2008		2009

U.S.	0	U.S.	12,106
Others		Others	
EU	73,624	EU	131,300
Namibia	31,826	Namibia	5,418
Botswana	11,248	Botswana	164
Total for Others	116,698		136,882
Others not Listed	0		0
Grand Total	116,698		148,988

Total exports increased 27.67% from 116,698MT in 2008 to 148,988MT in 2009. However, regional exports fell 87% from 43,074MT in 2008 to 5,582MT in 2009. The current low export prices of sugar in the region are the reason for the sharp decline in regional exports. Currently there is no incentive to export regionally as domestic sugar prices are much firmer compared to the regional prices.

The table below gives a breakdown of sugar exports in 2009 based on sugar type.

Export destination	Raw sugar (MT)	Refined sugar (MT)	Total (MT)
USA	12,106	0	12,106
EU	131,300	0	131,300
Namibia	5,250	168	5,418
Botswana	164	0	164
Total	148,820	168	148,988

Zimbabwe exported 148,820MT raw sugar and 168MT refined sugar in 2009. It is unlikely that the country will export sugar to the region in 2010 because of the uncompetitive prices offered in the region.

Some refined sugar was imported into the country duty-free mainly by retailers and individuals to augment local supplies and improve availability of basic commodities after the government relaxed import regulations and waived duties of basic commodities, which includes sugar. The Zimbabwe Revenue Authority (ZIMRA) records indicate that 39,330MT sugar was imported into the country in

2009, of which 24,072MT was refined sugar. However, it is not clear whether this data captures both corporate and individual imports and hence its accuracy is difficult to ascertain.

Centrifugal Sugar, Zimbabwe	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Apr 2008			Market Year Begin: Apr 2009			Market Year Begin: Apr 2010		
	USDA Official Data	New Post		USDA Official Data	New Post		USDA Official Data	New Post	
			Data			Data			Data
Beginning Stocks	24		24	33		33			29
Beet Sugar Production	0		0	0		0			0
Cane Sugar Production	297		297	274		259			300
Total Sugar Production	297		297	274		259			300
Raw Imports	0		0	0		0			0
Refined Imp.(Raw Val)	0		0	0		39			45
Total Imports	0		0	0		39			45
Total Supply	321		321	307		331			374
Raw Exports	97		97	74		149			150
Refined Exp.(Raw Val)	19		19	0		0			0
Total Exports	116		116	74		149			150
Human Dom. Consumption	172		172	200		153			200
Other Disappearance	0		0	0		0			0
Total Use	172		172	200		153			200
Ending Stocks	33		33	33		29			24
Total Distribution	321		321	307		331			374