

REPORT NO. 781

**ITAC'S SELF-INITIATED INVESTIGATION ON THE
APPROPRIATE LEVEL OF THE DOLLAR-BASED
REFERENCE PRICE ("DBRP") OF SUGAR CLASSIFIABLE
UNDER TARIFF HEADING 17.01**

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 781, on ITAC's self-initiated investigation on the appropriate level of the Dollar-Based Reference Price ("DBRP") of sugar classifiable under tariff heading 17.01.



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Ayabonga Cawe
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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ITAC'S SELF-INITIATED INVESTIGATION ON THE APPROPRIATE LEVEL OF THE DOLLAR-BASED REFERENCE PRICE ("DBRP") OF SUGAR CLASSIFIABLE UNDER TARIFF HEADING 17.01.

Synopsis

The International Trade Administration Commission of South Africa ("ITAC" or "the Commission") considered two applications from industry stakeholders regarding the current Dollar-Based Reference Price ("DBRP") for sugar. The first application, submitted by the South African Sugar Association ("SASA") on 30 October 2024, requested an increase in the DBRP from US\$680/ton to US\$905/ton, amongst other reasons, the need to support the sustainability and protection of the domestic sugar industry. The second application, submitted by the Beverage Association of South Africa ("BEVSA") on 25 September 2025, requested a reduction in the DBRP from US\$680/ton to between US\$552/ton and US\$650/ton, citing amongst other reasons, the adverse impact of the current duties on beverage producers, bottlers and consumers.

Given the divergent positions of the stakeholders and following extensive engagements between Government and industry, it was agreed that a combined evaluation of both applications would be the most efficient and equitable approach. Accordingly, the Commission self-initiated a review in terms of Section 16(1)(d)(ii) of the International Trade Administration Act, 2002, to assess the interests of both upstream producers and downstream users within a single investigation.

During its deliberations and in arriving at its recommendation, the Commission considered the information at its disposal, including comments received during the investigation period.

The Commission found that:

- Global sugar prices were highly volatile during the review period, increasing significantly between 2021/22 and 2023/24 before declining thereafter, reflecting changing global supply and demand conditions.
- Imports of sugar from non-SACU countries increased over the review period and reached their highest level in 2025/26, notwithstanding considerable year-to-year volatility. Brazil accounted for the largest share of these imports.
- The SACU sugar industry remained the dominant supplier to the domestic market, accounting for an average of approximately 95% of total sales volumes. However, import penetration increased significantly in the latter part of the review period, resulting in a decline in the industry's market share.
- Production volumes and capacity utilisation within the domestic sugar industry weakened over the review period, indicating the existence of underutilised production capacity and increasing competitive pressure from imports.
- The domestic sugar industry's production costs increased significantly over the review period, while selling price increases were insufficient to fully offset rising costs. As a result, profitability deteriorated and remained volatile.
- Input and operating costs in the non-alcoholic beverages sector also increased over the review period, placing pressure on profitability despite increases in selling prices.
- The non-alcoholic beverages sector showed generally positive performance over the review period, with overall increases in production, sales, and capacity despite a slight decline in 2024/25.
- The Commission found that the DBRP formula remains an appropriate and necessary instrument for the administration of the sugar tariff regime, providing transparency, predictability and administrative consistency.
- The Commission considered SASA's submission that the current DBRP no longer provides adequate support to the domestic sugar industry but found that SASA's proposed DBRP of US\$905/ton would exceed the level necessary to provide proportionate tariff support when balanced against downstream competitiveness, consumer welfare and South Africa's WTO bound rate.

- The Commission considered BEVSA's submission that the current DBRP may impose cost pressures on downstream sugar-using industries, particularly beverage manufacturers, but found that BEVSA's proposed DBRP would not provide adequate tariff support to the domestic sugar industry under prevailing market conditions.
- The domestic sugar industry remains an important contributor to employment, rural economic activity and livelihoods, particularly in rural communities.
- Upstream stakeholders supported maintaining or increasing the DBRP, citing rising production costs, increased import penetration, declining profitability and risks to employment and the sustainability of the domestic sugar industry.
- Downstream stakeholders opposed an increase in the DBRP, arguing that higher tariff protection would increase input costs, reduce competitiveness and raise consumer prices, while labour unions supported maintaining or increasing the DBRP to safeguard employment and rural livelihoods.

In light of the foregoing, the Commission decided that the Dollar-Based Reference Price for sugar be increased from the current US\$680/ton to US\$785/ton based on the 6-year weighted average London No.5 FOB sugar settlement price of US\$559/ton, plus an adjustment for the distortion factor evident in the international sugar price of 46%, less the average ocean transport cost of sugar to a South African port of US\$31/ton, owing to the following:

- a) The proposed DBRP level of US\$785/ton would continue to place the SACU sugar industry in a competitive position relative to imports by making provision for production cost recovery, assisting in stabilising cost volatility, accounting for the impact of the Rand/Dollar exchange rate, and minimising the impact on downstream users. This level would also provide an appropriate level of tariff support necessary to improve the sustainability of the domestic industry, protect employment and support continued investment in the sector.
- b) Furthermore, the proposed increase in the DBRP is informed by key factors identified during the review, including sustained decreases in international sugar prices, escalating but volatile domestic production costs, increasing deep-sea imports, declining domestic sales volumes and persistent structural distortions in

the global sugar market. The proposed level also retains policy space within the WTO bound rate.

The Commission further decided that the DBRP be reviewed three years after the date of implementation, or such other period as decided by the Commission considering developments in the international sugar market and prevailing domestic industry conditions. Such a review would enable the Commission to assess the impact of the proposed increase on domestic sugar production, investment, employment, market stability, and downstream users, while ensuring that the DBRP framework remains responsive, relevant, and aligned with the long-term sustainability and competitiveness objectives of the SACU sugar industry.

The initial duty on sugar will be calculated as the difference between the DBRP of US\$785/ton and the London No 5, 20-day moving average price of sugar on 07 May 2026, which amounted to US\$429.30/ton at an exchange rate of R16.63 to the US\$ adjusted for price differentials between South Africa and its most important trading partners using the published Real Effective Rand Exchange Rate (“REER”) Index as follows:

REFERENCE PRICE	
Dollar-Based Reference Price	US\$785/ton
Minus: Moving Average London No. 5 settlement price of sugar on 07 May 2026	US\$429.30/ton
Dollar duty on sugar	US\$355.70/ton
Rand duty on sugar before adjustment	R 5 915.29/ton
Adjusted with the Real Effective Exchange Rate Index (February 2026)	$R\ 5\ 915.29 \times 1.1799 =$ R 6 979.19/ton
Rand duty on sugar	697.92c/kg (equivalent to 97.76% <i>ad valorem</i>)

NB: Numbers may vary slightly due to rounding

Adjustments to the level of protection will be based on quantum movements in the world reference price as follows:

The difference between the 20-trading day moving average of the London No. 5 settlement price and the established reference price for sugar will be calculated daily. If the 20-trading day moving average of the London No. 5 settlement price shows a variance of more than US\$20/ton from the previous trigger level for 20 consecutive trading days, a new duty will be calculated. The resulting US Dollar specific duty is converted to Rand according to the

Rand/Dollar exchange rate prevailing on the day that the adjustment is triggered and subsequently adjusted with the latest available REER as published by the South African Reserve Bank (“SARB”).

The levels of duty may not exceed the WTO bound rate of 105% *ad valorem* for sugar. In administering the DBRP trigger mechanism, the Commission will ensure that any duty recommendation arising from the operation of the mechanism remains within South Africa’s WTO bound rate obligation.

1. THE EXISTING DOLLAR-BASED REFERENCE PRICE

The sugar sector is subject to a variable tariff formula, which was introduced to provide a more responsive tariff mechanism than conventional *ad valorem* duties. Given the frequent fluctuations in international sugar prices, the formula allows customs duties to adjust in line with market conditions while also accounting for exchange rate movements and inflation differentials.

The primary objective of the tariff dispensation is to stabilise domestic market conditions, counter distortions arising from subsidies in international sugar markets, and provide appropriate protection to the domestic sugar industry when global prices are low. At the same time, the system is designed to avoid excessive protection during periods of high international prices, thereby limiting adverse impacts on downstream industries and consumers.

The formula requires the calculation of a domestic reference price as follows:

Dollar-Based Reference Price = World reference price + distortion factor - transport costs

The formula is based on a DBRP, which is determined using the London No. 5 sugar settlement price, adjusted for market distortions and transport costs. Customs duties are triggered when sustained movements in international prices exceed the prescribed thresholds, ensuring that tariff protection remains responsive to changing market conditions.

The current dispensation also incorporates the REER to account for exchange rate fluctuations and inflation differentials between South Africa and its trading partners.

This adjustment seeks to protect producers against genuine cost pressures while preventing undue gains from currency movements, thereby balancing industry support with food affordability considerations.

2. THE REVIEW BACKGROUND AND TARIFF POSITION

- 2.1 The Commission initially received two applications from industry value chain stakeholders, relating to the current level of the DBRP for sugar.
- 2.2 SASA submitted an application on 30 October 2024 for an increase in the current DBRP from US\$680/ton to US\$905/ton, citing amongst other reasons, the need to protect the local sugar industry and ensure its sustainability. SASA is an industry association that represents sugar cane farmers, millers and refiners in South Africa providing administrative, technical and specialist support services. Its membership comprises of approximately 25172 registered sugarcane growers, represented by the South African Cane Growers Association (“SACGA”) and the South African Farmers Development Association (“SAFDA”), as well as six milling companies represented by the South African Sugar Milling Association (“SASMA”).
- 2.3 Subsequently, on 25 September 2025, the Beverage Association of South Africa (“BEVSA”) applied for a reduction in the current DBRP from US\$680/ton to between US\$552/ton and US\$650/ton, citing amongst other reasons, the adverse impact of current duties on beverage producers, bottlers, consumers, etc. BEVSA is an industry body representing importers, producers, bottlers, distributors, merchants and resellers of non-alcoholic beverages, accounting for 92% of the industry, excluding juice and dairy.
- 2.4 The diverging applications submitted by industry stakeholders prompted a need to determine the most appropriate course of action, in alignment with ITAC’s legislative and policy framework, including the strategic objectives outlined in the Sugar Industry Masterplan.
- 2.5 Following extensive engagements between Government and industry stakeholders, it was agreed that a combined evaluation of both applications represents the most efficient and equitable approach to address the diverging requests regarding the

appropriate DBRP level. Accordingly, ITAC self-initiated a review, in accordance with Section 16(1)(d)(ii) of the International Trade Administration Act, 2002.

2.6 This combined approach ensures that the interests of both upstream producers (represented by SASA) and downstream users (represented by BEVSA) are assessed within a single investigation. Both perspectives are examined throughout this report.

2.7 The current tariff structure for the subject product is as shown in Table 1 below:

Table 1: Current tariff position for sugar

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty					
				General	EU/UK	EFTA	SADC	Mercosur	AfCFTA
17.01		Cane or beet sugar and chemically pure sucrose, in solid form:							
1701.1		Raw sugar not containing added flavoring or colouring matter:							
	1701.12	Beet sugar	kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg
	1701.13	Cane sugar specified in subheading Note 2 to this chapter	kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg
	1701.14	Cane sugar	kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg
1701.9		Other:							
	1701.91	Containing added flavoring or coloring matter	kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg
	1701.99	Other	kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg	483,72c/kg

Source: SARS Tariff Book (June 2026)

2.8 The World Trade Organisation (“WTO”) bound rate for sugar is 105% *ad valorem*.

3. DISCUSSION

International sugar market

3.1 Global sugar production remained relatively stable between 2021/22 and 2025/26, averaging 182.1 million metric tons. After a slight decline in 2022/23 due to weather-related disruptions in major producing regions, production recovered steadily and increased significantly by 4.6% in 2025/26 to reach 189.3 million metric tons. Global consumption also remained stable, averaging 176.3 million metric tons, with modest growth overall. However, ending stocks declined consistently from 47.1 million to 41.2 million metric tons, reflecting earlier periods of supply tightness when consumption closely matched or exceeded production.

3.2 Over the 2021/22 to 2025/26 review period, global sugar trade experienced moderate fluctuations, with imports and exports recording only marginal average growth. Imports increased in 2022/23 and 2023/24 before declining in 2024/25 and recovering slightly

in 2025/26, while exports initially declined due to supply constraints in major exporting countries before gradually recovering. International sugar markets remained heavily influenced by policy interventions, including subsidies, price support mechanisms, preferential quotas, and protective tariffs, which distorted trade flows and often resulted in sugar being traded at prices below market fundamentals.

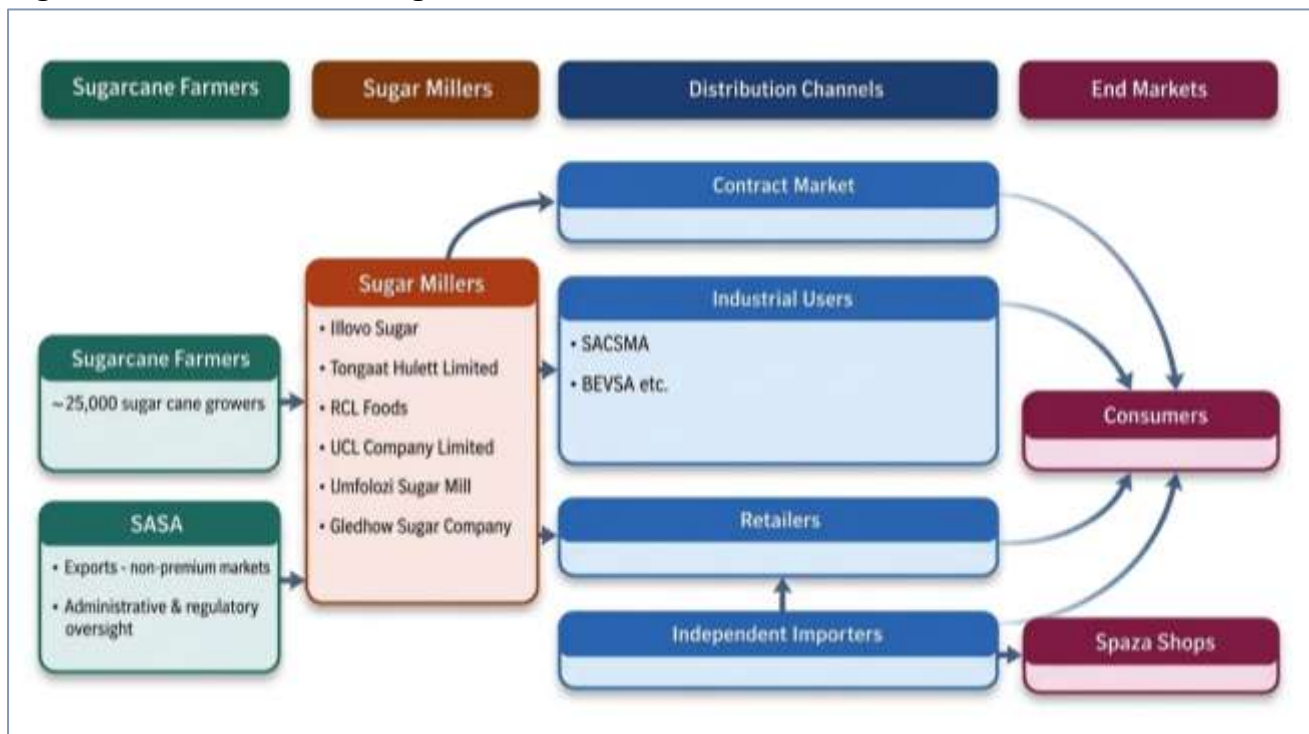
- 3.3 Global sugar prices were highly volatile during the period. Prices for both raw and refined sugar increased sharply between 2021/22 and 2023/24 due to tightening supplies, declining stocks, and adverse weather conditions, before declining significantly in 2024/25 and 2025/26 as production recovered and supply constraints eased. Overall, the market transitioned from a period of tight supply to a more balanced, potentially oversupplied position. The decline in international sugar prices has likely intensified competition from imported sugar in the South African market, underscoring the need to balance the sustainability of the domestic industry with responsiveness to prevailing international market conditions.

SACU Sugar Value Chain

- 3.4 The South African sugar industry is primarily concentrated in the rural areas of KwaZulu-Natal and Southern Mpumalanga. According to SASA, the industry comprises over 25 000 registered growers who collectively produce approximately 20 million tons of sugarcane each season. This cane is cultivated on around 344 000 hectares of land and processed in 12 sugar mills, yielding approximately 2 million tons of raw sugar annually.
- 3.5 It is important to note that there were previously 14 sugar mills. However, the Umzimkulu Mill, operated by Illovo Sugar South Africa, and the Darnall Mill, operated by Tongaat Hulett, have since closed, reducing the number of operational mills to 12.
- 3.6 According to SASA, South Africa typically ranks among the top 30 out of 120 most cost-efficient sugar producers globally, reflecting the efficiency and resilience of its growers and millers by international standards. On average, 70% of locally produced sugar is sold within the SACU, while the remaining 30% is exported to markets in Africa, Asia, and the United States.

- 3.7 Of the total registered growers, the vast majority, approximately 23 800, are small-scale black farmers operating under traditional land tenure systems. Despite their numbers, these farmers contribute only about 10.9% of total sugarcane production. In contrast, large-scale growers, including 311 black emerging farmers, account for over 75% of the national crop.
- 3.8 The members of the SASMA, which represents the interests of all sugar millers and refiners in South Africa, are:
- Illovo Sugar Ltd.
 - Tongaat-Hulett Sugar Ltd
 - RCL Foods Sugar and Milling (Pty) Ltd
 - UCL Company Ltd
 - Gledhow Sugar Company (Pty) Ltd
 - Umfolozi Sugar Mill (Pty) Ltd.
- 3.9 The South African sugar value chain is presented in Figure 1 below:

Figure 1: South African Sugar value chain



Source: ITAC, SASA and the dtic

- 3.10 According to information at the Commission's disposal, Eswatini is the only other sugar producer in the SACU. According to the ESA 2023/24 annual report¹, the Eswatini sugar industry comprises of 3 mills with 469 sugarcane growers active in the year under review of which 95% (444) are smallholder growers, farmers associations and individuals, who contribute about 29% to the cane harvested and sugar produced.
- 3.11 Sugarcane growing and milling is located in the lowveld of Eswatini, and all sugarcane grown in Eswatini is irrigated, achieving annual average yields of approximately 105 tons of cane per hectare and 12,5 tons of sucrose per hectare². The operations of the Eswatini sugar industry are regulated by the ESA, which is the highest policy-making body and is the Council that comprises of twelve members from the Eswatini Sugar Millers Association ("ESMA") and twelve members from the Eswatini Cane Growers Association ("ECGA"). Figure 2 below illustrates the structure of the sugar industry in Eswatini.

Figure 2: Structure of Eswatini Sugar Industry



Source: ESA

- 3.12 According to ESA the industry produces approximately 5.4 million tonnes of cane from a land area of over 57 770 hectares (reflecting a highly productive yield of over 93 tonnes of cane per hectare). Total sugar production for the 2024/2025 season was 640 738 tonnes. The industry currently produces three types of sugar³:

¹ https://esa.co.sz/wp-content/uploads/ESA_Intergrated_Report_2024.pdf

² <https://esa.co.sz/facts-and-figures-industry/>

³ <https://esa.co.sz/ISOCouncil/about/sugar/>

- **Raw sugar:** This is sugar that is produced in bulk form (not bagged) for further processing in foreign markets to produce refined sugar, mainly Europe and the United States.
- **VHP brown sugar:** This is very high polarization (VHP) brown sugar that is produced for direct consumption. This is sold mainly to the SACU and regional markets.
- **Refined sugar:** This is white sugar produced by the refineries in the country and mainly available for sale to the SACU market

3.13 The downstream sugar industry plays an important role in value addition, employment creation, and industrial development within South Africa and the wider SACU region. Refined sugar serves as an important input into a wide range of manufacturing activities, including the production of confectionery, baked goods, beverages, dairy products, canned foods, pharmaceuticals, and personal care products. The food and beverage manufacturing sector is the largest consumer of industrial sugar, accounting for a significant share of domestic demand.

Production, capacity utilisation and domestic sales

3.14 Table 2 provides a summary of production capacity, actual production, capacity utilisation and total sales volumes for the SACU sugar industry, over the period 2021/22 to 2024/25. The table also includes the 2025/26 estimates as submitted to the Commission by the industry.

Table 2: Summary of Production, Capacity Utilisation and Sales Volumes by Industry

Marketing period Year (1 April - 31 March)	Nominal Values					Average (Excl. Forecast) (2021/22 - 2024/25)	Annual Growth rate				Average Growth Rate (Excl. Forecast) (2021/22 - 2024/25)
	2021/22	2022/23	2022/24	2024/25	2025/26 (Forecast)		2022/23	2022/24	2024/25	2025/26 (Forecast)	
Industry Production Capacity (Tons)	3 272 000	3 272 000	3 272 000	3 272 000	3 272 000	3 272 000	0,0%	0,0%	0,0%	0,0%	0,0%
Industry Actual Production (Tons)	2 456 559	2 551 835	2 595 575	2 515 494	2 602 260	2 529 866	3,9%	1,7%	-3,1%	3,4%	0,8%
Industry Capacity Utilisation	75,1%	78,0%	79,3%	76,9%	79,5%	77,3%	3,9%	1,7%	-3,1%	3,4%	0,8%
Industry Total Sales Volume (Tons)	2 478 729	2 532 031	2 588 506	2 466 742	2 610 512	2 516 502	2,2%	2,2%	-4,7%	5,8%	-0,1%

Source: SASA, ESA and ITAC Calculations

- 3.15 The SACU sugar industry's installed production capacity remained consistent at 3.27 million tons throughout the period 2021/22–2024/25 and, based on information submitted to the Commission, was projected to remain at this level in 2025/26. Production increased from 2.46 million tons in 2021/22 to 2.52 million tons in 2024/25, despite some fluctuations during the period, and was projected to increase further to 2.60 million tons in 2025/26.
- 3.16 Industry capacity utilisation averaged 77.3% between 2021/22 and 2024/25, indicating that available production capacity was not fully utilised. Capacity utilisation increased from 75.1% in 2021/22 to 76.9% in 2024/25, reflecting changes in production volumes relative to installed capacity. Capacity utilisation was projected to improve further to 79.5% in 2025/26, in line with the expected increase in production.
- 3.17 Total industry sales volumes averaged 2.52 million tons over the review period and declined marginally by an average of 0.1% between 2021/22 and 2024/25. Sales volumes decreased from 2.48 million tons in 2021/22 to 2.47 million tons in 2024/25, although they were projected to increase to 2.61 million tons in 2025/26.

Trade Data

- 3.18 Sugar imports from non-SACU countries exhibited significant volatility over the review period but followed a strong upward trajectory in the latter years. Import volumes increased from approximately 57 961 tons in 2021/22 to 228 132 tons in 2025/26, representing an overall growth of 78%.
- 3.19 Brazil remained the dominant non-SACU supplier and strengthened its position in the South African market, with its share of imports increasing from 32% in 2021/22 to 37% in 2025/26. Imports from India, Thailand and the United Arab Emirates ("UAE") also gained importance, increasing their combined share from 7% to 29% of total non-SACU imports by 2025/26, despite considerable year-to-year volatility. Conversely, imports from neighbouring countries such as Zambia and Malawi declined significantly, with Zambia's exports to South Africa becoming negligible by 2025/26 and Malawi's market share falling from 17% to approximately 1%.

Analysis of SACU Market share

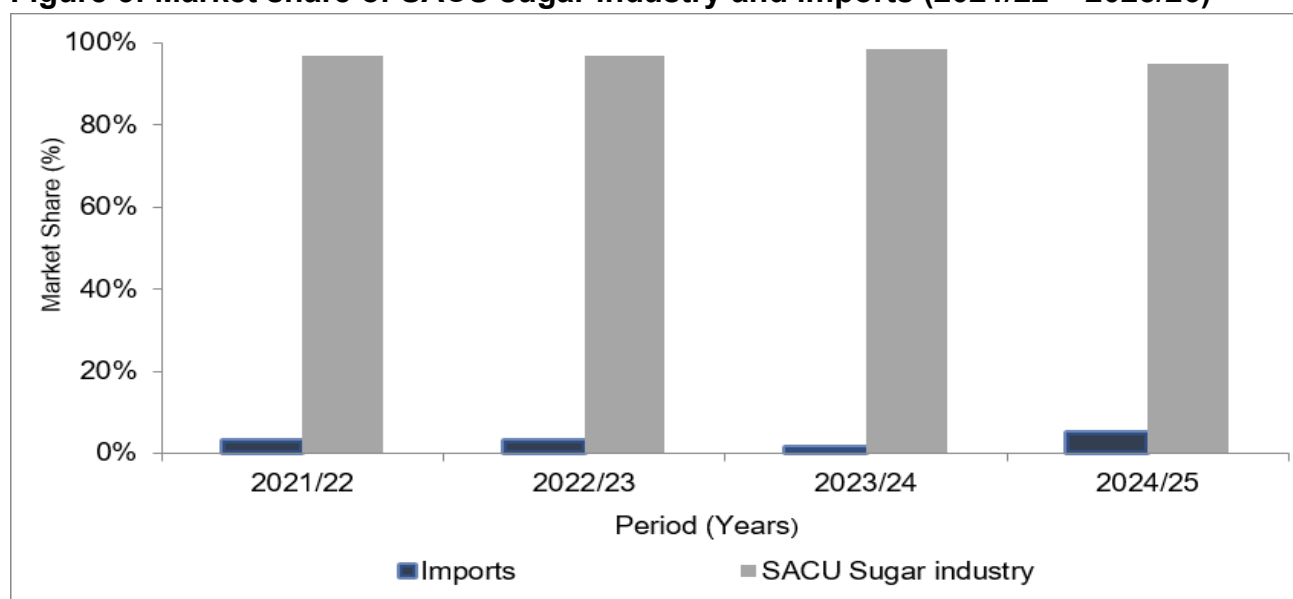
3.20 Table 3 below, reflects the estimated size of the SACU sugar market, which is represented by SASA and the ESA. Import data has been adjusted to correspond with the SACU sugar industry's marketing year, which runs from April to end of March.

Table 3: Estimated size of SACU sugar market (2021/22 – 2025/26)

Period	Total Sales in the SACU Market	Annual growth rate of SACU sales (%)	Total SACU sales in terms of volume (Tons)		% share of sales to total SACU sales in terms of volume (Tons)	
April -March	Volume (Tons)	Volume (%)	Imports	SACU Sugar industry	Imports	SACU Sugar industry
2021/22	1 924 559	-1%	57 961	1 866 598	3%	97%
2022/23	2 019 010	5%	62 015	1 956 995	3%	97%
2023/24	1 970 692	-2%	30 327	1 940 365	2%	98%
2024/25	1 955 605	-1%	96 768	1 858 837	5%	95%
2025/26	2 085 032	7%	228 132	1 856 900	11%	89%
Average 2021/22 - 2025/26	1 983 680	1,4%	90 686	1 892 995	5%	95%

Source: SASA, ESA, SARS and ITAC calculations

Figure 3: Market share of SACU sugar industry and imports (2021/22 – 2025/26)



Source: SASA, ESA, SARS and ITAC calculations

3.21 Table 3 and Figure 3 illustrate the estimated size and composition of the SACU sugar market during the period 2021/22 to 2025/26. Over the review period, the SACU sugar industry maintained a dominant position in the market, accounting for an average of approximately 95% of total sales volumes, while imports represented an average

share of 5%. Total SACU sugar sales averaged approximately 1.98 million tons and recorded average growth of 1.4% over the period under review.

- 3.22 The SACU sugar industry's market share remained relatively stable between 2021/22 and 2023/24, averaging approximately 97% of total sales volumes. During this period, imports accounted for between 2% and 3% of the market, reflecting strong domestic supply conditions and limited reliance on imported sugar.
- 3.23 However, from 2024/25 onwards, imports increased significantly, with their share of total sales rising from 2% in 2023/24 to 11% in 2025/26. Correspondingly, the SACU sugar industry's share declined from 98% to 89% over the same period. This trend indicates a growing penetration of imported sugar into the SACU market and suggests increasing competitive pressure on domestic producers.
- 3.24 Overall, while the SACU sugar industry continued to dominate the regional market throughout the review period, the sharp increase in imports during 2024/25 and 2025/26 points to a changing market dynamic. The increase in import penetration may be attributable to a combination of factors, including favourable international pricing conditions, changes in domestic supply, and evolving demand patterns within the SACU market.
- 3.25 Monthly imports from non-SACU sources into South Africa during the period 2024 to early 2026, further supports this trend. Import volumes remained relatively low and stable throughout 2024 but increased substantially during 2025 and the first quarter of 2026. The concentration of imports during specific periods suggests that importers responded to favourable international market conditions and price differentials between domestic and world markets. The sustained increase in non-SACU imports during the latter part of the review period is indicative of growing import competition within the SACU sugar market.

Downstream industry Production, capacity utilisation and domestic sales

- 3.26 Sugar is an important input in a range of downstream industries, particularly the beverages sector. Although the information submitted by BEVSA members to ITAC does not represent the entire beverages industry, it provided a useful indication of

production, sales and sugar consumption trends within a significant downstream user segment.

- 3.27 The available information indicates that the non-alcoholic beverages sector⁴ experienced generally positive performance over the period under review. Production and sales volumes increased overall, notwithstanding a slight decline in 2024/25 following growth in the preceding year. Production capacity also expanded, suggesting continued investment and confidence in market demand.
- 3.28 Sugar consumption within the sector increased substantially over the period, reflecting growing production activity and sustained demand for non-alcoholic beverage products. The data further indicates a strong reliance on domestically sourced sugar, with imports accounting for only a negligible share of total sugar requirements.
- 3.29 While the submitted information does not represent the entire beverages sector, the available data suggests that downstream non-alcoholic beverage manufacturers continued to increase output and increase sugar utilisation, supporting demand for locally produced sugar.

Competitive Position: Upstream-Sugar

- 3.30 Total production costs followed a volatile trend over the period, increasing overall by approximately 36.4%. Costs increased significantly in 2022/23, declined in 2023/24, and increased again in 2024/25, indicating persistent cost pressures despite a temporary easing in the intervening year. The increase in production costs was mainly driven by higher input costs, labour expenses, the sharp increase in the R&D levy, logistics costs, and maintenance overheads. Similarly, total costs, including production and SG&A expenses, increased in 2022/23, declined in 2023/24, and increased again in 2024/25.
- 3.31 The net ex-factory selling price increased cumulatively by approximately 20.9% over the period. Although selling prices generally increased in response to rising costs, the

⁴ Unless otherwise indicated, references to the non-alcoholic beverages sector in the report relate to the information submitted by BEVSA members and are intended to reflect the circumstances of this downstream industry segment.

increases were insufficient to fully offset cost escalation during periods of heightened cost pressure, particularly in 2022/23 and 2024/25.

- 3.32 Profitability remained volatile throughout the period. Net profit margins declined from a positive level in 2021/22 to a negative margin in 2022/23, recovered strongly in 2023/24, and weakened again in 2024/25, although remaining positive.

Competitiveness Position: Downstream

- 3.33 While downstream responses were limited, the information received included detailed and verifiable cost, price and operational data from a BEVSA member. This provides a useful indication of cost trends for a key downstream user segment.
- 3.34 The cost structure of the non-alcoholic beverages sector remained largely unchanged over the review period. Direct variable costs consistently accounted for the largest share of production costs, with materials and components, particularly domestically sourced inputs, serving as the primary cost drivers. Packaging-related costs increased over the period, while labour costs and the Health Promotion Levy remained relatively stable.
- 3.35 Indirect variable costs and fixed overheads remained stable as a proportion of total costs, although both increased moderately over time, reflecting higher utility and operating expenses. As a result, production costs and total costs followed a gradual upward trend throughout the period.
- 3.36 Selling prices increased over the review period in response to rising costs; however, higher discounting reduced the extent to which these increases translated into higher net realised prices. While profitability improved initially, profit margins declined in the final year under review, suggesting that cost increases and greater discounting placed pressure on returns despite higher selling prices.

Industry Employment

- 3.37 The sugar industry remains an important contributor to employment and economic activity within South Africa, particularly in rural areas. According to information submitted by SASA, the industry sustains approximately 65 000 direct jobs and 270

000 indirect jobs, supporting the livelihoods of an estimated one million people. SASA further submitted that the industry is significantly more labour-intensive than both the broader South African economy and the agricultural sector, underscoring its importance as a source of rural employment and income generation.

- 3.38 Information submitted by selected non-alcoholic beverage manufacturers, which represent a portion of the downstream sugar-using sector, indicates that employment levels remained broadly stable over the period 2023 to 2025. Although employment declined during 2024, a partial recovery was recorded in 2025. Overall, employment among participating firms contracted by approximately 3% over the review period, equivalent to an average annual decline of approximately 1%.

Impact Assessment

- 3.39 ITAC's Office of the Chief Economist ("OCE") conducted an independent economic impact assessment to evaluate the likely effects of alternative DBRP levels on the domestic sugar industry, consumers and downstream industries. The assessment found that higher DBRP levels would likely result in moderate increases in domestic sugar prices, support domestic production and reduce import volumes. While an increase in the DBRP is also expected to increase household expenditure on sugar and sweeteners and raise costs for sugar-using industries, the estimated impact on final consumer prices and overall household expenditure was found to be limited. The Commission also considered impact studies submitted by SASA and BEVSA which, although differing in their assumptions and conclusions, highlighted the trade-offs associated with adjustments to the DBRP. In reaching its assessment, the Commission considered all the evidence before it, including the independent analysis undertaken by the OCE.

SASA's submissions, methodology and upstream impact

- 3.40 SASA's position was that the current DBRP of US\$680/ton no longer provides adequate protection to the domestic sugar industry. SASA submitted that the current reference price was set in 2018 and has not kept pace with the significant increase in domestic production costs, including higher costs of fertiliser, fuel, energy, labour,

transport, maintenance and compliance. In SASA's view, the current DBRP has progressively lost its effectiveness and no longer reflects the economic realities faced by sugarcane growers, millers and refiners.

- 3.41 SASA argued that the domestic sugar industry operates in a highly distorted global market in which international sugar prices are frequently influenced by subsidies, government support, export incentives, market interventions and surplus disposal by major producing countries. According to SASA, these distorted world prices place South African producers at a disadvantage and allow low-priced imports to compete unfairly with locally produced sugar. SASA submitted that when imports displace domestic sales, local producers are forced to export surplus sugar into the world market at prices that may be below the cost of production, thereby weakening industry profitability and sustainability.
- 3.42 SASA proposed that the DBRP be increased from US\$680/ton to US\$905/ton. SASA's calculation was based primarily on production cost data obtained from LMC International. SASA submitted that the appropriate benchmark for determining the DBRP should be linked more directly to the cost of producing refined sugar in South Africa, rather than relying only on the world reference price, a distortion factor and transport costs.
- 3.43 SASA's calculation started with an LMC cost estimate of approximately US\$812/ton for the production of sugar. SASA submitted that this cost should reflect the true cost of producing refined sugar for the domestic market, including the cost of converting raw sugar into refined or saleable sugar. SASA further submitted that because raw sugar is not generally saleable in the domestic market without further processing, the DBRP should account for refining costs and an appropriate return on capital employed in the refining process.
- 3.44 In addition, SASA included what it described as the cost of government policy support or the cost of surplus removal. SASA argued that national policy supports a sugar industry that is structurally larger than domestic demand because of the industry's socio-economic contribution, including employment, rural development, transformation and food-security considerations. Where production exceeds domestic

demand, surplus sugar must be exported into the distorted world market, often at a loss. SASA calculated this surplus removal or policy-related cost at approximately US\$93/ton and added it to the LMC production cost estimate. On this basis, SASA arrived at a proposed DBRP of US\$905/ton.

BEVSA's submissions, BRG methodology and downstream impact

- 3.45 BEVSA's position was that the current DBRP of US\$680/ton is set at a level that is higher than required to offset distortions in the international sugar market. BEVSA did not argue for the removal of the variable tariff mechanism but submitted that the underlying parameters used to calculate the DBRP should be updated to reflect current market conditions. In BEVSA's view, the continued use of outdated or overstated assumptions in respect of the world reference price, the distortion factor and transport costs results in a DBRP that provides more protection than is necessary.
- 3.46 BEVSA further submitted that sugar is a significant input for the non-alcoholic beverages industry and that high sugar duties increase the cost of production for non-alcoholic beverage manufacturers, bottlers and related downstream firms. According to BEVSA, these higher input costs may place upward pressure on consumer prices, reduce the competitiveness of local manufacturers, affect exports and constrain investment in the downstream sector. BEVSA therefore argued that the interests of downstream users and consumers should be considered alongside the sustainability concerns raised by upstream sugar producers.
- 3.47 BEVSA's central argument was that the DBRP should be reduced to a level that more accurately reflects the economic cost of importing sugar under current global market conditions. Based on the analysis prepared by BRG, BEVSA estimated that an appropriate DBRP would be approximately US\$579/ton, with alternative estimates ranging between US\$489/ton and US\$661/ton depending on the methodology applied. BEVSA submitted that these estimates demonstrate that the current DBRP is already above the level required to provide appropriate tariff support and that a further increase would risk over-protection.

Commission's evaluation of the proposed DBRP methodologies

- 3.48. In considering SASA's proposal, amongst other things, the Commission found that the proposed DBRP level of US\$905/ton exceeded both the estimated import-parity benchmark and the industry's full cost recovery benchmark. Based on the evidence before the Commission, a DBRP at that level would risk over-protection and reduce policy space under South Africa's WTO bound tariff rate. The Commission therefore considered that SASA's proposal would not represent a proportionate outcome when balanced against downstream competitiveness, consumer welfare, and South Africa's international trade obligations.
- 3.49. In considering BEVSA's proposed DBRP of approximately US\$579/ton, amongst other things, the Commission found that, while the proposal was based on a formula-based approach, the assumptions applied to key inputs resulted in a DBRP level that was materially below the domestic industry's production cost benchmark and the estimated import-parity threshold.

Tariff Determination

- 3.50. In determining the appropriate DBRP level, the Commission considered the evidence before it, including developments in the international sugar market, the domestic industry's cost structure, prevailing import trends, and the need to maintain an appropriate balance between domestic sugar producer support and the interests of downstream users and consumers.
- 3.51. In this regard, the Commission applied its established tariff determination methodology, which incorporates the weighted average London No. 5 FOB sugar settlement price, a distortion factor, and transport costs. The methodology is intended to establish a fair-trading environment for the domestic sugar industry by taking into account prevailing international market conditions, structural cost differences between South Africa and major sugar-exporting countries, and the cost of importing sugar into the SACU market.
- 3.52. The Commission applied a six-year rolling weighted-average methodology to the London No. 5 FOB sugar settlement price for the period 2019/20 to 2024/25. The use

of rolling weights was considered appropriate as it places greater emphasis on recent market developments while retaining sufficient historical smoothing to account for cyclical fluctuations in global sugar markets. The weighted average world reference price for the period amounted to US\$559/ton.

- 3.53. The Commission further considered a distortion factor based on LMC cost data, calculated as the difference between the average cost of producing raw sugar in South Africa and Brazil over the review period, expressed as a percentage of South African production costs. This calculation indicated an average cost differential of approximately 43%. In addition, the weighted average export losses incurred on exports outside SACU were estimated at approximately 3% over the review period. Combined, these factors resulted in a distortion factor of 46%, equivalent to approximately US\$257/ton.
- 3.54. The Commission also reviewed the transport-cost component of the DBRP methodology. While some stakeholders argued that transport costs should be revised upward, the Commission found that reliable evidence did not support a departure from the existing estimate. Based on an assessment of freight-rate information for shipments from Brazil, the Commission concluded that a transport-cost allowance of US\$31/ton remained appropriate.
- 3.55. Applying the weighted average world reference price of US\$559/ton, adding the distortion factor of US\$257/ton, and deducting transport costs of US\$31/ton resulted in a DBRP level of US\$785/ton. The Commission found that this level provides an appropriate balance between supporting the sustainability and competitiveness of the domestic sugar industry, ensuring fair competition from imports, and avoiding excessive protection that could adversely affect downstream users. Furthermore, the resulting ad valorem equivalent remains below South Africa's WTO bound tariff level of 105% *ad valorem*, thereby remaining consistent with the country's international trade obligations.

Comments on the review

- 3.56. Following publication of the investigation, the Commission received seventeen (17) submissions from a broad range of stakeholders, including government departments,

regional institutions, industry associations, upstream producers, downstream users, and civil society organisations. The submissions reflected differing views on the appropriate level of the DBRP and the role of the variable tariff mechanism in balancing the interests of domestic producers, downstream industries and consumers.

- 3.57. Stakeholders supporting an increase in the DBRP argued that the current level of protection is insufficient to address rising production costs, increasing import competition and distortions in international sugar markets. These stakeholders emphasised the strategic importance of the sugar industry in supporting rural employment, small-scale growers and regional economic development. They further submitted that a higher DBRP would improve the sustainability of the domestic sugar value chain and reduce the displacement of local production by imported sugar.
- 3.58. Stakeholders supporting a reduction in the DBRP argued that the current level contributes to higher domestic sugar prices and increases input costs for downstream manufacturers. These stakeholders submitted that the existing methodology does not adequately reflect prevailing global market conditions and that lower sugar prices would improve the competitiveness of downstream industries, particularly export-oriented manufacturers. Concerns were also raised regarding the potential impact of higher sugar prices on consumers and the broader cost of living.
- 3.59. Some stakeholders supported retaining the current DBRP level, submitting that prevailing market conditions did not justify either an increase or a decrease. These stakeholders argued that the current level provides an appropriate balance between the interests of domestic producers, downstream users and consumers, while cautioning that significant changes could result in unintended economic or public policy consequences.
- 3.60. The Commission carefully considered all submissions received during the investigation. While stakeholders differed on the appropriate level of the DBRP and the likely impact of any adjustment, the submissions provided valuable information regarding industry conditions, market dynamics, employment, consumer welfare and the competitiveness of both upstream and downstream industries. These

submissions, together with the Commission's independent analysis and the information placed on record, informed the Commission's final determination.

Findings

- Global sugar prices were highly volatile during the review period, increasing significantly between 2021/22 and 2023/24 before declining thereafter, reflecting changing global supply and demand conditions.
- Imports of sugar from non-SACU countries increased over the review period and reached their highest level in 2025/26, notwithstanding considerable year-to-year volatility. Brazil accounted for the largest share of these imports.
- The SACU sugar industry remained the dominant supplier to the domestic market, accounting for an average of approximately 95% of total sales volumes. However, import penetration increased significantly in the latter part of the review period, resulting in a decline in the industry's market share.
- Production volumes and capacity utilisation within the domestic sugar industry weakened over the review period, indicating the existence of underutilised production capacity and increasing competitive pressure from imports.
- The domestic sugar industry's production costs increased significantly over the review period, while selling price increases were insufficient to fully offset rising costs. As a result, profitability deteriorated and remained volatile.
- Input and operating costs in the non-alcoholic beverages sector also increased over the review period, placing pressure on profitability despite increases in selling prices.
- The non-alcoholic beverages sector showed generally positive performance over the review period, with overall increases in production, sales, and capacity despite a slight decline in 2024/25.
- The Commission found that the DBRP formula remains an appropriate and necessary instrument for the administration of the sugar tariff regime, providing transparency, predictability and administrative consistency.
- The Commission considered SASA's submission that the current DBRP no longer provides adequate support to the domestic sugar industry but found that SASA's proposed DBRP of US\$905/ton would exceed the level necessary to provide

proportionate tariff support when balanced against downstream competitiveness, consumer welfare and South Africa's WTO bound rate.

- The Commission considered BEVSA's submission that the current DBRP may impose cost pressures on downstream sugar-using industries, particularly non-alcoholic beverage manufacturers, but found that BEVSA's proposed DBRP would not provide adequate tariff support to the domestic sugar industry under prevailing market conditions.
- The domestic sugar industry remains an important contributor to employment, rural economic activity and livelihoods, particularly in rural communities.
- Upstream stakeholders supported maintaining or increasing the DBRP, citing rising production costs, increased import penetration, declining profitability and risks to employment and the sustainability of the domestic sugar industry.
- Downstream stakeholders opposed an increase in the DBRP, arguing that higher tariff protection would increase input costs, reduce competitiveness and raise consumer prices, while labour unions supported maintaining or increasing the DBRP to safeguard employment and rural livelihoods.

4. RECOMMENDATION

4.1. In light of the foregoing, the Commission decided that the Dollar-Based Reference Price for sugar be increased from the current US\$680/ton to US\$785/ton. The proposed level is based on the six-year weighted average London No. 5 FOB sugar settlement price of US\$559/ton, plus an adjustment for the distortion factor evident in the international sugar price of 46%, less the average ocean transport cost of sugar to a South African port of US\$31/ton.

- a) The proposed DBRP level of US\$785/ton would continue to place the SACU sugar industry in a competitive position relative to imports by making provision for production cost recovery, assisting in stabilising cost volatility, accounting for the impact of the Rand/Dollar exchange rate, and minimising the impact on downstream users. This level would also provide an appropriate level of tariff support necessary to improve the sustainability of the domestic industry, protect employment and support continued investment in the sector.

- b) The proposed increase in the DBRP is informed by key factors identified during the review, including sustained decreases in international sugar prices, escalating but volatile domestic production costs, increasing deep-sea imports, declining domestic sales volumes and persistent structural distortions in the global sugar market. The proposed level also retains policy space within the WTO bound rate.

- 4.2. The Commission further decided that the DBRP be reviewed three years after the date of implementation, or such other period as decided by the Commission considering developments in the international sugar market and prevailing domestic industry conditions. Such a review would enable the Commission to assess the impact of the proposed increase on domestic sugar production, investment, employment, market stability, and downstream users, while ensuring that the DBRP framework remains responsive, relevant, and aligned with the long-term sustainability and competitiveness objectives of the SACU sugar industry.
- 4.3. The initial duty on sugar will be calculated as the difference between the DBRP of US\$785/ton and the London No. 5 20-trading day moving average price of sugar on 07 May 2026, which amounted to US\$429.30/ton at an exchange rate of R16.63 to the US Dollar, adjusted for price differentials between South Africa and its most important trading partners using the published Real Effective Rand Exchange Rate Index as follows:

REFERENCE PRICE	
Dollar-Based Reference Price	US\$785/ton
Minus: Moving Average London No. 5 settlement price of sugar on 07 May 2026	US\$429.30/ton
Dollar duty on sugar	US\$355.70/ton
Rand duty on sugar before adjustment	R 5 915.29/ton
Adjusted with the Real Effective Exchange Rate Index (February 2026)	$R\ 5\ 915.29 \times 1.1799 = R\ 6\ 979.19/\text{ton}$
Rand duty on sugar	697.92c/kg (equivalent to 97.76% <i>ad valorem</i>)

NB: Numbers may vary slightly due to rounding

Adjustments to the level of protection will be based on quantum movements in the world reference price as follows:

The difference between the 20-trading day moving average of the London No. 5 settlement price and the established reference price for sugar will be calculated daily. If the 20-trading day moving average of the London No. 5 settlement price shows a variance of more than US\$20/ton from the previous trigger level for 20 consecutive trading days, a new duty will be calculated. The resulting US Dollar specific duty is converted to Rand according to the Rand/Dollar exchange rate prevailing on the day that the adjustment is triggered and subsequently adjusted with the latest available Real Effective Exchange Rate Index as published by the South African Reserve Bank.

- 4.4. The levels of duty may not exceed the WTO bound rate of 105% *ad valorem* for sugar. In administering the DBRP trigger mechanism, the Commission will ensure that any duty recommendation arising from the operation of the mechanism remains within South Africa's WTO bound rate obligation.