

SD-022-2019/abg

17 July 2019

JULY 2019 RV PRICE for 2019/20 SEASON

SASA has declared the JULY 2019 RV price in respect of cane deliveries in JUNE 2019 as follows:

AVERAGE RV PRICE PER TON R 4 209.37

BASE PRICE OF CANE	
RV % CANE	AVG. PRICE Rand/Ton
9.5	399.89
10.0	420.94
10.5	441.98
11.0	463.03
11.5	484.08
12.0	505.12
12.5	526.17
13.0	547.22
13.5	568.26
14.0	589.31
14.5	610.36
15.0	631.41

Industry Average RV % Cane 12.10%
"d" factor 0.403078
SASRI Levy R 0.87

The RV price payable at the end of July 2019 in respect of cane deliveries in June 2019 was declared at R4 209.37 per ton of RV. This was R55.77 per ton lower than the price last month, in respect of cane deliveries in May 2019. The most significant contributor to the lower price was the firmer weighted average R/\$ exchange rate, which strengthened by 64 points (14.18 vs.14.82), thereby reducing the export revenue estimate by around R59m, despite the improved sugar production estimate (2,238m tons vs. 2.219m tons). The higher weighted average world market No.11 sugar price (US13.72c/lb. vs. US13.62c/lb.) has had limited effect on the price this month but it is worth noting the sharp drop in the world No.11 price over the last week. The latest price is below US12.0c/lb and this is likely to further erode export revenue in future months should the rand remain strong against the US dollar. The stronger R/\$ exchange rate also reduces the level of import protection and will certainly reduce any opportunity there may have been for the industry to consider an

increase to the notional sugar price. Industry sales for the first quarter of 2019/20 were 7% below the estimate and this may warrant a reduction to the LMDE should July sales not bring about a recovery.

The change in monthly RV input variables and corresponding changes in revenue are detailed in Table 2 below:

Table 2: Change in RV price input variable and revenue

RV Price - Change in input variables	Latest	Difference	Previous
Cane Production	19 872 238	149 808	19 722 430
Sugar : RV Ratio	93.10%	-0.01%	93.11%
Gross Sugar Production	2 238 808	19 587	2 219 221
LMDE	1 332 080	0	1 332 080
RV Tons	2 404 623	21 271	2 383 352
Sugar Notional Price - Refined	9 475	0	9 475
Sugar Notional Price - Brown	8 646	0	8 646
#11 World Price (wt avg)	13.72	0.10	13.62
R/US\$ Ex Rate (wt avg)	14.18	-0.64	14.82
RV Price	4 209.37	-55.77	4 265.14
Change in Revenue	Latest	Difference	Previous
Rebates	308 392 822	1 320 700	307 072 122
Local Market Proceeds	11 951 108 870	-1 320 700	11 952 429 570
Export Proceeds	3 904 688 771	-58 777 524	3 963 466 295
Molasses Proceeds	733 195 125	7 003 328	726 191 798
Industrial Costs	826 342 212	-9 660 636	836 002 848
Total Grower Revenue (64.3127% of NDP)	10 137 386 163	-27 933 746	10 165 319 908

Tables 3 provides a range estimate for the estimate for the 2019/20 season.

Table 3: RV Price Range Estimate – 2019/20

		Low Estimate	Most Likely Estimate	High Estimate
Gross Sugar Production		2 300 000	2 250 000	2 200 000
RV % Cane		12.08%	12.08%	12.08%
Sugar : RV Ratio		93.41%	93.10%	93.41%
LMDE		1 250 000	1 300 000	1 350 000
Rebates (R)		308 392 822	308 392 822	308 392 822
No.11 (% exposure)		61.1%	57.0%	51.9%
No.11 (wt.avg)		13.05	13.27	13.54
R/\$ (% uncovered)		92.24%	92.24%	92.24%
R/\$ (wt. Avg.)		13.6379	14.0068	14.4680
RV Price		4 002.22	4 140.63	4 360.83
Notional Price Change 1	Oct-19	0.00%	0.00%	0.00%
Notional Price Change 2	Feb-20	0.00%	0.00%	5.00%
R/\$ Exchange Rate (Uncovered)		13.50	13.90	14.40
No.11 price (unpriced)		12.00	12.20	12.50
Refined %		67.22%	67.22%	67.22%