

SD-033-2020/abg

17 June 2020

JUNE 2020 PRICE for 2020/21 SEASON

The JUNE 2020 RV price in respect of cane deliveries in the 2020/2021 season up to the end of May 2020 is as follows:

AVERAGE RV PRICE PER TON R 4 606.99

BASE PRICE OF CANE	
RV % CANE	AVG. PRICE Rand/Ton
9.5	437.66
10.0	460.70
10.5	483.73
11.0	506.77
11.5	529.80
12.0	552.84
12.5	575.87
13.0	598.91
13.5	621.94
14.0	644.98
14.5	668.01
15.0	691.05

Industry Average RV % Cane	12.08%
"d" factor	0.417206
SASRI Extension Levy	R 0.88
SASRI Levy - LSG Research	R 0.80

The RV price payable at the end of JUNE 2020 in respect of 2020/2021 season cane deliveries up to the end of MAY 2020 was declared at R4 606.99 per ton of RV. This represents an increase of R81.65 compared with the previous price (in respect of current season cane deliveries up to the end of April 2020.) The increase was driven by the improved performance of sales vs. the May 2020, which prompted a 14000 ton increase to the LMDE (1.269m tons vs 1.255m). Other positive factors were the higher sugar:RV ratio (93.88% vs. 93.67%), the decline in RV%cane (12.08% vs. 12.15%) and the higher weighted average No.11 world market price (US13.81c/lb. vs. US12.68c/lb.) These positive factors dominated the negative impact of the firmer weighted average R/\$ exchange rate (R16.81 vs. R17.43).

The Sugar Industry Masterplan, although not officially launched by Govt. because of Covid-19, has been accepted by most of the major value-chain stakeholders, including all sugar industry members, wholesalers, retailers, industrial users, relevant government departments and Labour. The main benefit for the sugar industry in the first three years of the Masterplan is the commitment to restore the local market demand for sugar by 300 000 tons, starting with 150 000 tons in the current season. The 14000 ton increase to the LMDE to a total 1 269 000 tons in this RV price calculation represents only a 20 000 ton increase over the LMDE for the previous season. This is a shortfall of 130 000 tons below the LM growth intention of the Masterplan in Year 1. If this LM growth objective can be achieved in the current season, then there is a distinct possibility that this could boost the current RV price in the order of R200 per ton.

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	19 423 543	83 641	19 339 902
Sugar : RV Ratio	93.88%	0.21%	93.67%
Gross Sugar Production	2 202 254	908	2 201 346
LMDE	1 269 000	14 000	1 255 000
RV Tons	2 345 821	-4 293	2 350 114
#11 World Price (wt avg)	13.81	1.14	12.68
R/US\$ Ex Rate (wt avg)	16.81	-0.62	17.43
RV Price	4 606.99	81.65	4 525.34
Change in Revenue	Latest	Difference	Previous
Rebates	236 443 210	0	236 443 210
Local Market Proceeds	12 128 585 946	94 500 430	12 034 085 516
Export Proceeds	4 689 543 676	170 859 878	4 518 683 798
Molasses Proceeds	786 383 636	2 246 634	784 137 001
Industrial Costs	800 416 953	0	800 416 953
Total Grower Revenue (64.3127% of NDP)	10 807 168 044	172 105 250	10 635 062 794
Grower Levy - SASRI	0	0	0
Net Grower Revenue for RV price	10 807 168 044	172 105 250	10 635 062 794

Table 3 provides a range estimate for the final price for 2020/2021. The most likely estimate for 2020/2021 price is R4 604, within a range of a low of R4 363 and a high of R4 855.

Table 3: Range estimate for 2020/2021 RV Price

		Low Estimate	Most Likely Estimate	High Estimate
Gross Sugar Production		2 300 000	2 200 000	2 100 000
RV % Cane		12.00%	12.08%	12.30%
Sugar : RV Ratio		93.20%	93.80%	94.00%
LMDE		1 220 000	1 269 000	1 350 000
Rebates (R)		236 443 210	236 443 210	236 443 210
No.11 (% exposure)		53.8%	46.3%	33.2%
No.11 (wt.avg)		13.31	13.81	14.21
R/\$ (% uncovered)		42.47%	42.47%	42.47%
R/\$ (wt. Avg.)		16.3835	16.8082	17.2328
RV Price		4 363.58	4 604.49	4 855.51
Notional Price Change 1	Nov-19	0.00%	0.00%	0.00%
Notional Price Change 2	Feb-20	0.00%	0.00%	0.00%
R/\$ Exchange Rate (Uncovered)		15.60	16.60	17.60
No.11 price (unpriced)		12.00	12.70	13.20
Refined %		60.69%	60.69%	60.69%