

# A PROFILE OF THE SOUTH AFRICAN SUGAR MARKET VALUE CHAIN

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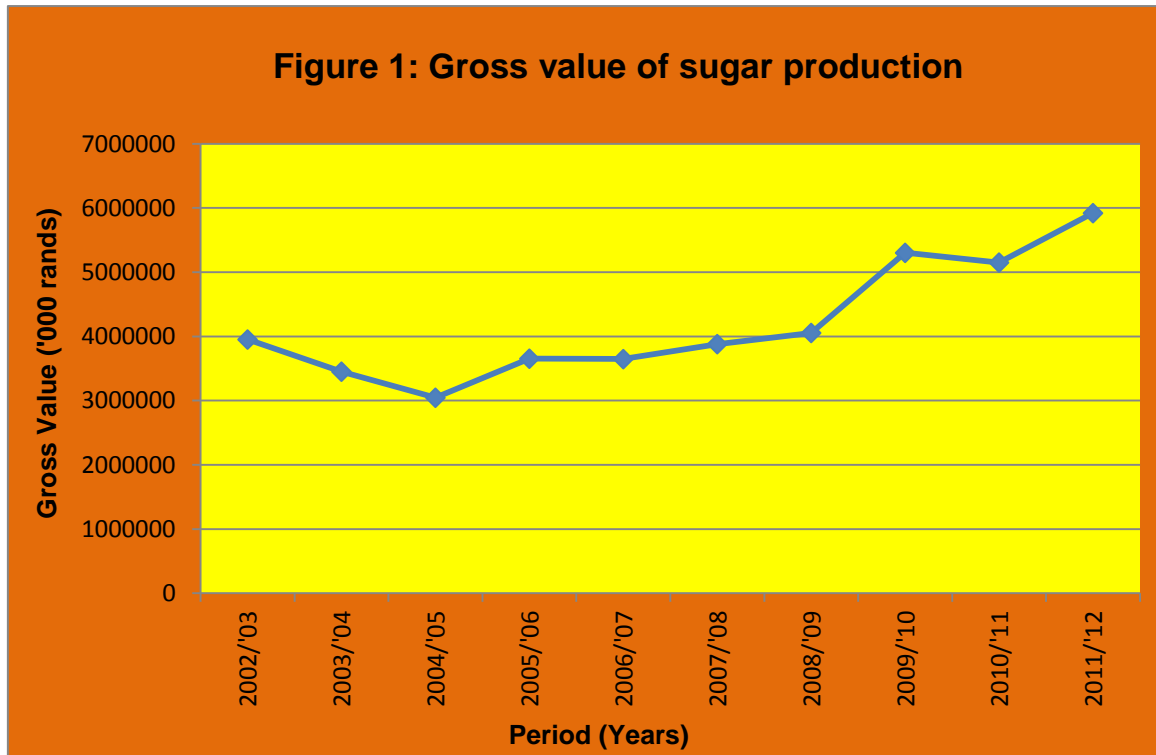
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## 1. DESCRIPTION OF THE INDUSTRY

The South African sugar industry makes an important contribution to the national economy, given its agricultural and industrial investments, foreign exchange earnings, its high employment and linkages with major suppliers, support industries and customers. It is a diverse industry combining the agricultural activities of sugarcane cultivation with the industrial factory production of raw and refined sugar, syrups and specialized sugars, and a range of by-products. The industry produces an estimated average of 2.2 million tons of sugar per season. About 60% of this sugar is marketed in the Southern African Customs Union (SACU) region. Based on revenue generated through sugar sales, in the SACU region and world export market, the South African sugar industry is responsible for generating an annual average direct income of R8 billion. The industry contributes an estimated average R5.1 billion to the country's foreign exchange earnings on an annual basis. The average annual value of sugarcane production is R4 billion, which is more than 15% of the total gross value of annual field crop production. Its support to the domestic value chain is estimated at R96 million. The sugar industry's contribution to the South African economy can be described as follows;

- The South African sugar industry makes an important contribution to the national economy, given its agricultural and industrial investments, foreign exchange earnings, its high employment, and its linkages with major suppliers, support industries and customers.
- The industry accounts for 0.9 % of total merchandise exports by value, 0.5% of total income tax, 3.6% of total fixed capital stock of business enterprises, and 0.3% of salaries and wages;
- This proportion is above the average of 15.45 for all sectors in the economy, but similar to that for the agriculture, clothing, textiles and footwear, and accommodation and catering sectors;
- The sugar industry directly supports approximately 79 000 jobs, and indirectly supports another 350 000 jobs.
- Approximately one million people, more than 2% of South Africa's population depends on the sugar industry for a living.
- The South African Sugarcane Research Institute, through its research and development activities, contributes significantly to the development of the sugar industries of Sub-Saharan Africa, and it produces most of the varieties of cane grown in Africa south of the equator;
- The Sugar Milling Research Institute is regarded internationally as a leader in its field of research, training and consultancy.

The industry is regulated in terms of the Sugar Act and the Sugar Industry Agreement, which are binding on all sugarcane growers and producers of sugar products. The contribution of the sugar industry to the Gross Value of Agricultural production can be summarized in Figure 1.



Source: Statistics & Economic Analysis, DAFF

Figure 1 indicates gross value of sugar production in South Africa between 2002/03 and 2011/12 period. The graph further indicates that gross value of sugar production started to increase in 2002/03 marketing season, followed by a decline in 2003/04 and 2004/05 to lower levels of approximately R3 million and R3.5 million respectively. A consistent increase in gross value of sugar production from 2005/06 to 2009/10 was due to a significant increase in production of the crop over the same period. The sugar cane's contribution to the gross value of agricultural production increased significantly from 2005/06 to 2009/10 and this was due to a consistent increase in sugar cane producer prices during the aforementioned period. The decline in the contribution of sugar to the gross value of production between 2003/04 and 2004/05 can be attributed to a strong rand against the dollar which had a reducing effect on producer prices of sugar cane. Rainfall across the entire industry was below expectation up to 2004/05 season resulting in the smallest crop since 1995/96.

The slight decline in the contribution of sugar to the gross value of sugar production in 2010/11 can be attributed to a strong rand against the dollar which had a reducing effect on producer prices of sugar cane during that period. In 2011/12, the graph further indicates that the contribution of sugar to the gross value of sugar production in 2011/12 attained a peak at approximately R6 million.

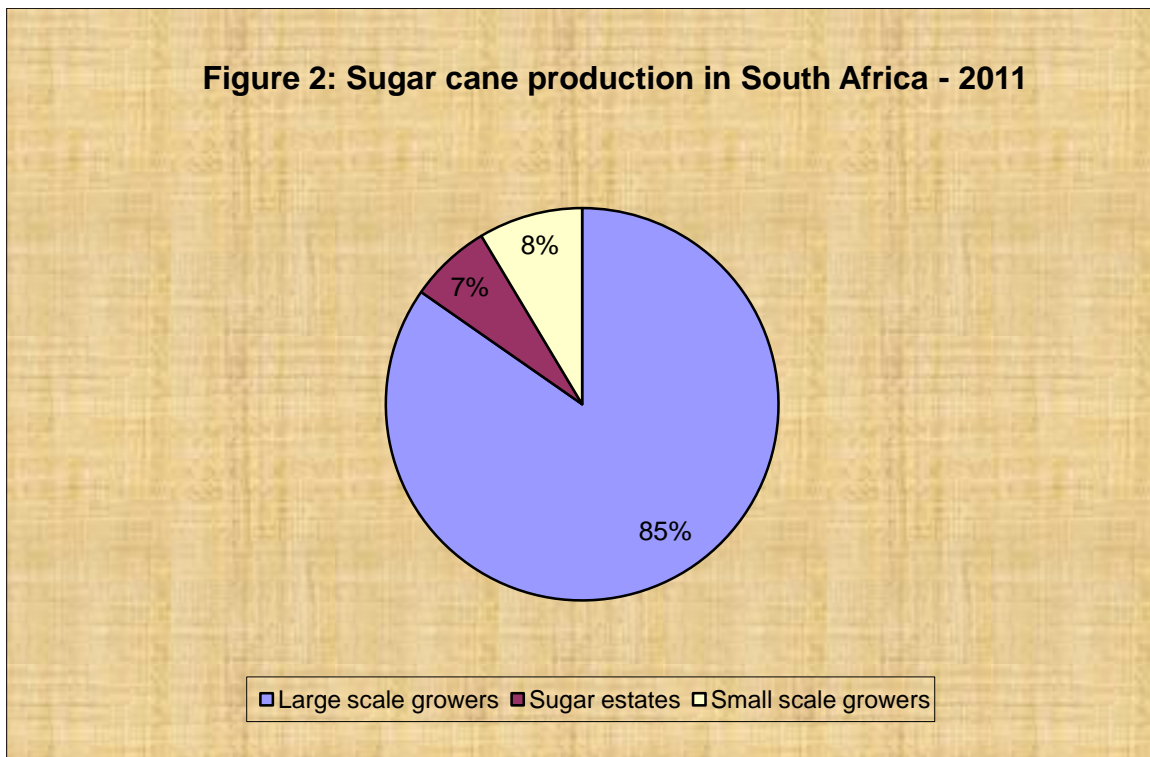
### 1.1 Production Areas

Sugarcane in South Africa is grown in 14 cane producing areas extending from Northern Pondoland in the Eastern Cape Province through the coastal belt and Kwazulu-Natal midlands to the Mpumalanga Lowveld. Of the 430 000 ha currently under sugarcane, about 68% is grown

within 30km of the coast and 17% in the high rainfall areas of Kwazulu-Natal. The balance is grown in the northern irrigated areas that comprise Pongola and Mpumalanga lowveld.

## 1.2 Production

On average 19.9 million tons of sugarcane is produced each season from 14 mill supply areas, extending from Northern Pondoland in the Eastern Cape to the Mpumalanga Lowveld. Of the 29 130 registered sugarcane growers 27 580 are small-scale growers mainly on tribal land of whom 13 871 delivered cane for crushing in 2010/11, accounting for 8.59% of the total crop. With the focus on empowerment of previously disadvantaged people, a growing number of black growers are entering sugarcane farming on commercial farms made available at market related prices by the major milling companies and other sellers of freehold land. Post 1994 purchases of freehold land created more than 1300 black commercial growers in the sugar industry, who own 40 000 hectares, or 11% of freehold land under sugarcane. An additional 70 000 hectares of land under sugarcane is already being used by small-scale black growers on tribal land. In total there are 1 550 commercial growers (inclusive of the more than 378 new black commercial growers) who produce 84.7% of total sugarcane production. Milling companies with their own sugar estates produce 6.72% of the crop. The percentage of these millers-cum planter estates has decreased in recent years is likely to continue doing so as the companies promote black farming development.



Source: South African Sugar Association

Figure 2 shows that during the period under review, large scale growers contributed 85 % of the crop, small scale growers contributed 8% and sugar estates contributed 7%.

**Table 1: Total crop area under sugarcane (ha) between 2002/03 and 2011/12**

Period of Years	Hectares ('000)
2002/03	430106
2003/04	426861
2004/05	424907
2005/06	423960
2006/07	419463
2007/08	412979
2008/09	413566
2009/10	382000
2010/11	376000
2011/12	272000

Source: South African Sugar Association (SASA)

Table 1 depicts the total crop area under sugar cane in hectares between 2002/03 and 2011/12 period. The table further depicts that the area owned by large scale growers decreased from 430 106 to 383 000 ha between 2002/03 and 2011/12 period as indicated in table 1 above. In 2009/10, the table also depicts that there was a huge decline in terms of the hectares that were allocated to sugarcane growing (391 483 ha) to a level closer to the 2010/11 season of about 383 000 hectares.

**Table 2: Sugarcane: area planted, cane production and sugar production**

Year	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Area Planted (1000ha)</b>	430	427	425	428	420	423	389	382	376	272
<b>Cane Production (1000 tons)</b>	23013	20419	19095	21052	20278	19724	20986	20411	16016	16800
<b>Production of sugar (1000 tons)</b>	2 763	2 419	2 218	2 507	2 235	2 281	2 269	2 187	1909	1825

Source: Statistics & Economic Analysis and SASA

Table 2 shows the area planted, cane production and sugar production in South Africa between 2002/03 and 2011/12 production season. The table further shows that in 2002/03, the area planted to sugar cane was at 430 000 hectares leading to the production of 230 013 tons of sugar cane. Between 2003/04 and 2004/05, the area planted decreased marginally between 3 000 and 5 000 ha causing a decline in sugar cane production of about 20 000 and 19 000 tons respectively. Table 2 further shows that on average there is a direct relationship between area planted to sugar cane, sugar cane production volumes and sugar production volumes. As reflected in Table 2 above, sugarcane and sugar production has remained relatively constant as growth has been curtailed by

preferential access arrangement granted to SADC and SACU producers and adverse global market conditions.

The area under cane production in SA between 2003/04 and 2009/10 has remained constant at around 423 000 and 430 000 hectares. While the total area under cane expanded in the mid-90's, primarily as a result of the establishment of the Komati Mill in Mpumalanga and the relocation of the Illovo Mill to its current site in Eston, where development is not constrained by urbanization as was the case in the coast, no further significant expansion has taken place. The area under sugarcane, being a perennial crop is less subject to fluctuations compared to other crops. Cane yields per hectare have remained at historic levels but the adoption of the Recoverable Value price system for cane payments, which incentivizes good agricultural practices, has resulted in improved sugar yields per hectare.

The industry produces an estimated average of 2.2 million tons of sugar per season. About 60% of this sugar is marketed in the SACU region. The remainder is exported to markets in Africa, Asia and the Middle East. Table 2 also shows that there was a decline in sugar production between 2010/11 and 2011/12. The major factors responsible for this decline are the diminishing profitability of growing cane in terms of input costs versus financial returns, years of poor cane prices to farmers, adverse weather conditions, poor cane contractor performance and service, high contracting rates, limited capital availability and, in some regions, the withdrawal of cane supply support that has traditionally been provided by sugar milling companies.

### **1.3 Employment**

The sugar industry makes an important contribution to direct employment in sugarcane production and processing, and provides indirect employment for numerous support industries in the three provinces where sugarcane is grown – Kwazulu-Natal, Mpumalanga and the Eastern Cape – in sectors such as fertilizer, fuel, chemical, transport, food and services.

Direct employment within the sugar industry is approximately 79 000 jobs. Direct and indirect employment is estimated at 350 000 people. There are approximately one million people dependent on the sugar industry in South Africa. The sugar milling sector of this industry employs 12 751 people in 14 sugar mills.

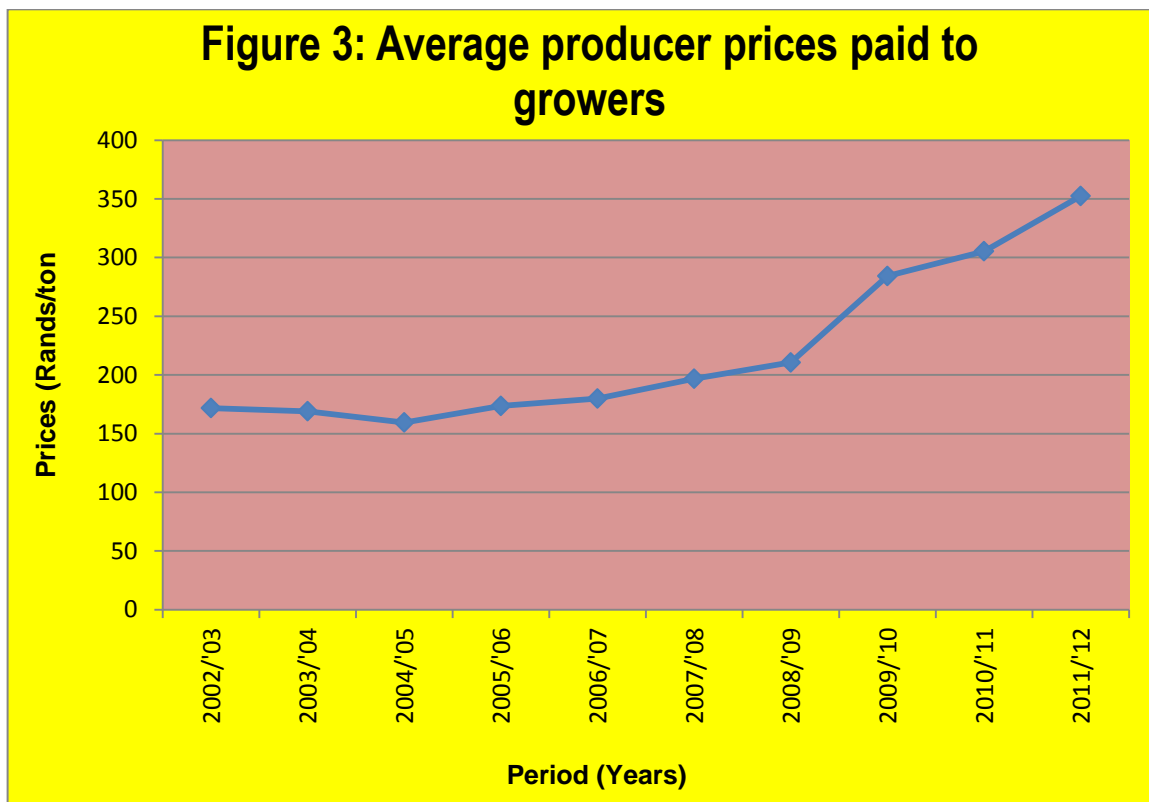
## **2. MARKETING STRUCTURE**

### **2.1 Domestic Market and Domestic Sugar Prices**

As members of the South African Customs Union (SACU), the total domestic market is comprised of sales into all SACU countries. The total SACU demand is met by supply from SACU producing countries, bilateral arrangements between non-SACU countries and SACU countries, and from access granted to non-SACU- SADC surplus sugar producing countries in terms of the SADC Protocol.

Sugar prices in SACU are established in a regulated environment driven off a dollar based reference price system which determines the duty payable on sugar imports into SACU. This system was put in place by the Department of Trade and Industry in 2000. Millers, who sell the sugar domestically, compete against each other for market share in the direct and indirect (industrial) markets. Millers also face competition from sugar originating from SADC countries in terms of the SADC Free Trade Agreement, as well as from Swaziland.

The dollar based reference price system was established by the DTI on the basis of a 10 year average of the No.5 world refined sugar price adjusted for certain elements. Outlined as Table 3, are recent recoverable value (RV) prices paid by millers to growers together with the cane price at average recoverable values for the industry.



Source: Statistics & Economic Analysis, DAFF

Figure 3 shows prices paid to growers between 2002/03 and 2011/12 period. The graph further shows that prices paid to growers during the period under examination started to increase in 2002/03 season at approximately R171.78 per ton and then saw a decline in 2003/04 and 2004/05 seasons at approximately R169.08 per ton until a further decline in 2004/05 at approximately R159.55 per ton. From 2005/06 season, producer prices paid to growers started to increase at an increasing rate until a peak was attained in 2011/12 season at approximately R352.44 per ton.

**Table 3: Prices paid to growers (2002 – 2011)**

<b>Year</b>	<b>Recoverable Value (RV) Price</b>	<b>Cane Price (R/ton)</b>
2002-2003	1 368.79	171.78
2003-2004	1 357.01	169.08
2004-2005	1 297.19	159.55
2005-2006	1 389.80	173.59
2006-2007	1 701.86	198.78
2007-2008	1 701.90	208.82
2008-2009	2 011.18	251.00
2009-2010	2 284.20	284.15
2010-2011	2 572.14	331.55
2011-2012	3017.51	352.38

Source: South African Sugar Association and Statistics & Economic Analysis

Table 3 illustrates that prices paid to growers between 2002 and 2011 period. The table further illustrates that prices paid to growers on a recoverable value basis increased substantially between 2006/07 and 2011/12, while the cane price also followed the same trend during the same period.

At the start of the 2002/03 season, the Recoverable Value (RV) payment system replaced the sucrose payment system. The RV system recognizes the effect of Sucrose % cane, Non-sucrose % cane and Fibre % cane on sugar production. Cane quality or RV % cane is increased by increasing maturity, freshness and cleanliness of the cane delivered. The RV formula estimates the quantity of sugar and molasses that can be made from a particular delivery of cane.

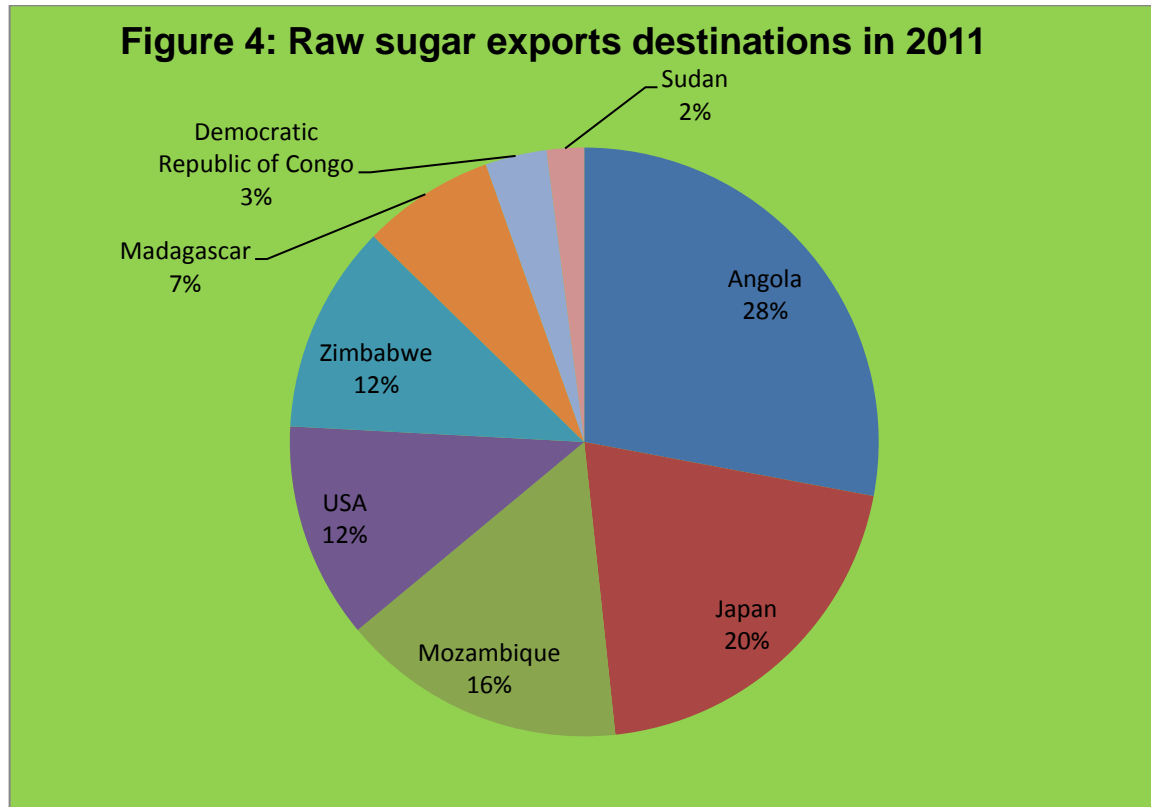
The South African Sugar Association (SASA) determines a market related price (a notional price) that it uses in determining the minimum price payable by millers to growers for sugarcane. This price was increased at the beginning of 2006 by 6% which was the first adjustment since March 2003. Sugar prices in the domestic market have been severely affected by the constant threat of imports of low-priced subsidized sugar. Annual recoverable (RV) prices for sugar have been lower than increases in production costs and the average increase in farming inputs from 2001.

The table further shows that between 2002/03 and 2011/12 period, the recoverable value increased from R1 368.79 to R3017.51 during the period under examination. The table also shows that between 2002/03 and 2004/05 period, there was a consistent decline in cane prices from R171.78 to R159.55 during the period under review.

The table further shows that from 2005/06 to 2011/12 period, there was a consistent increase in sugar cane prices of approximately R173.59 per ton to R352.38 per ton.

### 3. EXPORTS VOLUMES OF RAW SUGAR

Fifty percent (60%) of the 2.2 million tons of sugar produced in South Africa per season is marketed in the Southern African Customs Union (SACU). SACU comprises of South Africa, Swaziland, Lesotho, Botswana and Namibia.

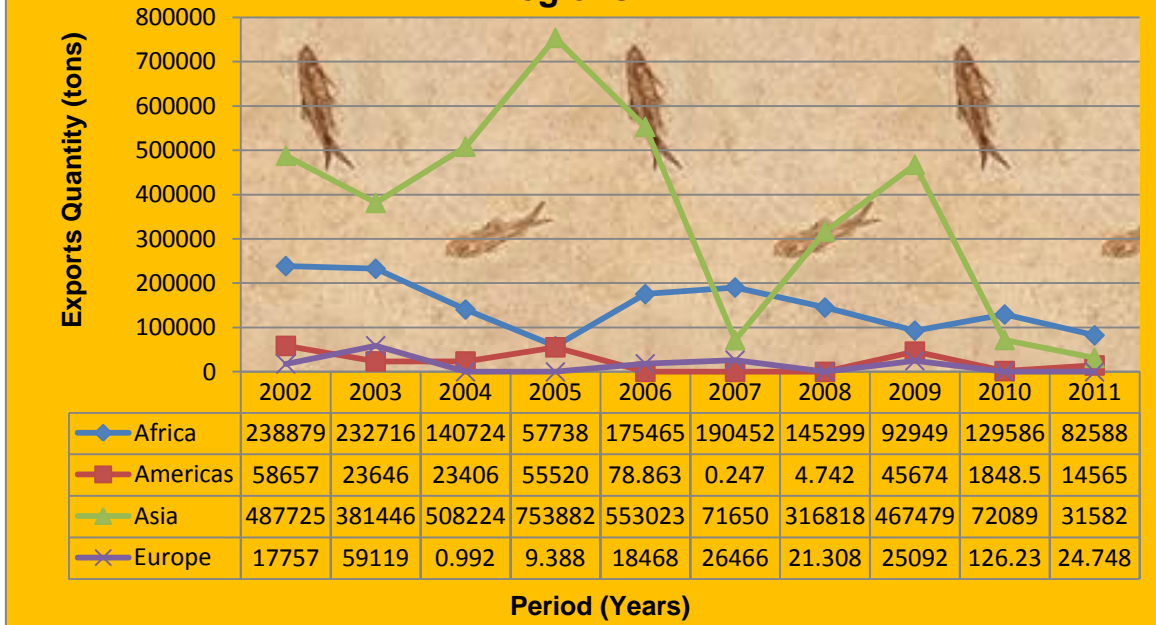


Source: ITC Trade Map

Figure 4 illustrates raw sugar exports from South Africa to different regions of the world during the 2011 period. The pie chart further illustrates that in 2011, most of South African sugar was exported to Angola at 28%, Japan at 20%, Mozambique at 16%, Zimbabwe and USA at 12% respectively, Madagascar at 7%, Democratic Republic of Congo and Sudan shared small percentages of not more than 4% in terms of raw sugar exports during the period under scrutiny. The greatest percentage/ share of South African raw sugar exports during this period went to Angola during the period under review.

The South African sugar industry exports more than 60% of its sugar production, and is generally amongst the top ten sugar exporters in the world. Raw sugar cane exports are predominantly to the Far East and Middle East refineries. The industry competes directly with Brazil, Thailand, Australia and Guatemala for raw sugar markets and with refineries in the EU (subsidized sugar exports).

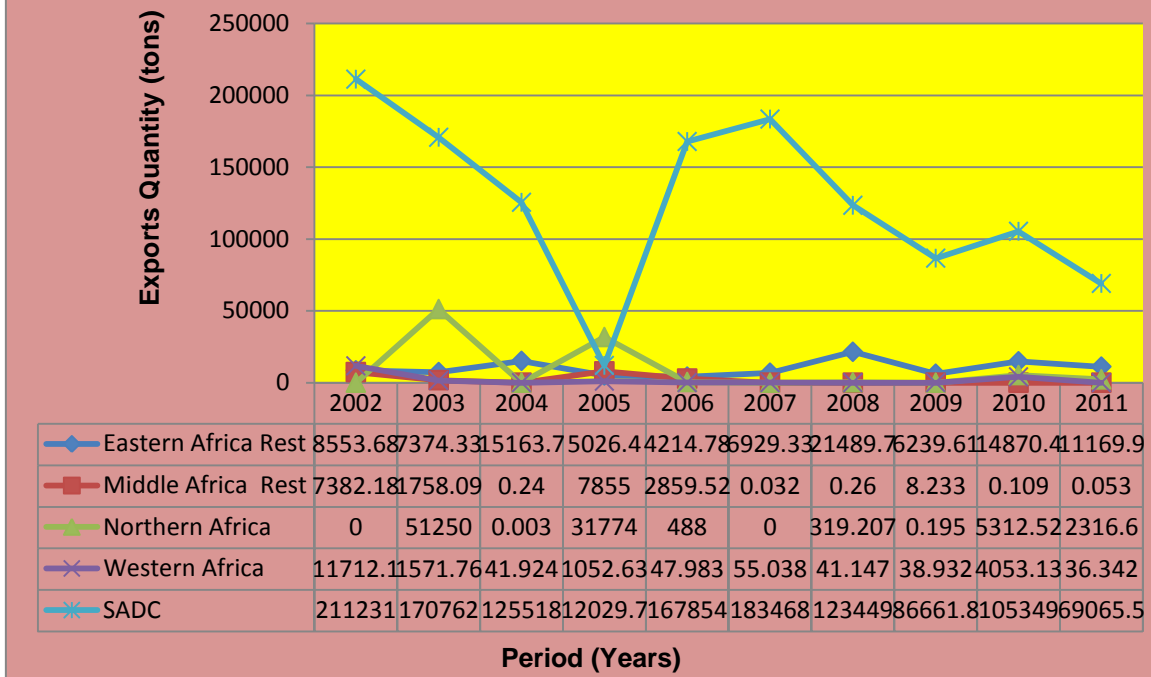
**Figure 5: Exports volumes of raw sugar to various regions**



Source: Quantec

Figure 5 depicts exports volumes of raw sugar from South Africa to various regions between 2002 and 2011 period. The graph further depicts that the major export market destination for South African raw sugar exports was Asia, followed by Africa and the Americas. The graph also depicts that largest volumes of exports of raw sugar were recorded in 2005 at an export quantity of approximately 753 881.59 tons, while Africa as a second largest region recorded its high quantities in 2002 at an export quantity of about 238 878.90 tons. The exports of raw sugar are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. Africa and Americas had very low intake of raw sugar from South Africa during the period under scrutiny. Europe and Oceania had very low levels of raw sugar exports from South Africa between 2002 and 2010 period. In 2011, there was a 56.20% decline in exports volumes of raw sugar from South Africa to Asian region as compared to 2010.

**Figure 6: Exports volumes of raw sugar to Africa**

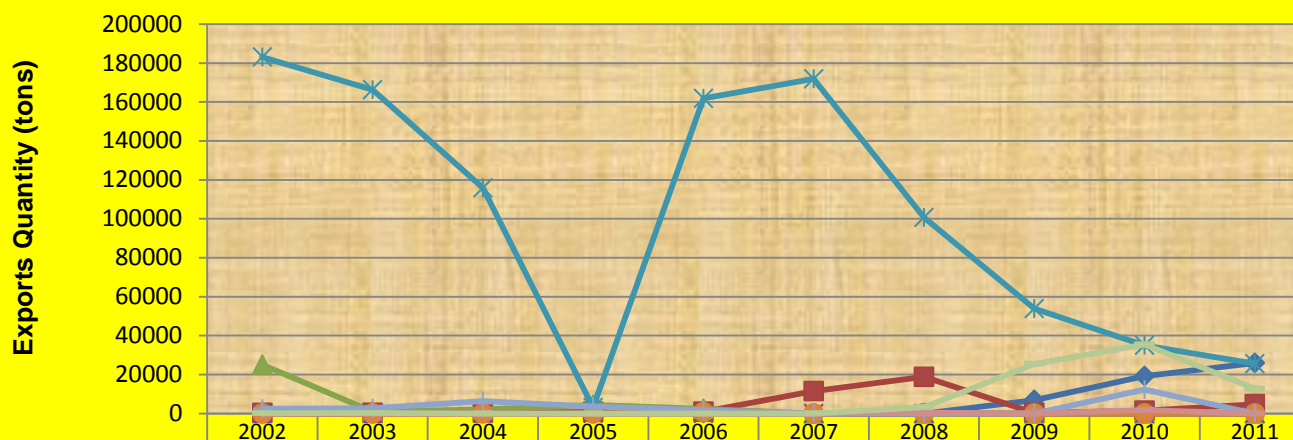


Source: Quantec

Figure 6 shows exports volumes of raw sugar from South Africa to Africa between 2002 and 2011 period. The graph further shows that the major export market destination for South African raw sugar was SADC, followed by Northern Africa. The figure also shows that the largest volumes of exports of raw sugar from South Africa to SADC were recorded in 2002 and 2007 at approximately 183 467.99 tons and 211 230.98 tons respectively. The exports of raw sugar are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. Eastern, Western and Middle Africa had very low levels of sugar intakes from South Africa during the same period under review.

There was a 34.4% decline in export volumes of raw sugar from South Africa to the SADC region in 2011 as compared to 2010.

**Figure 7: Exports volumes of raw sugar to SADC**



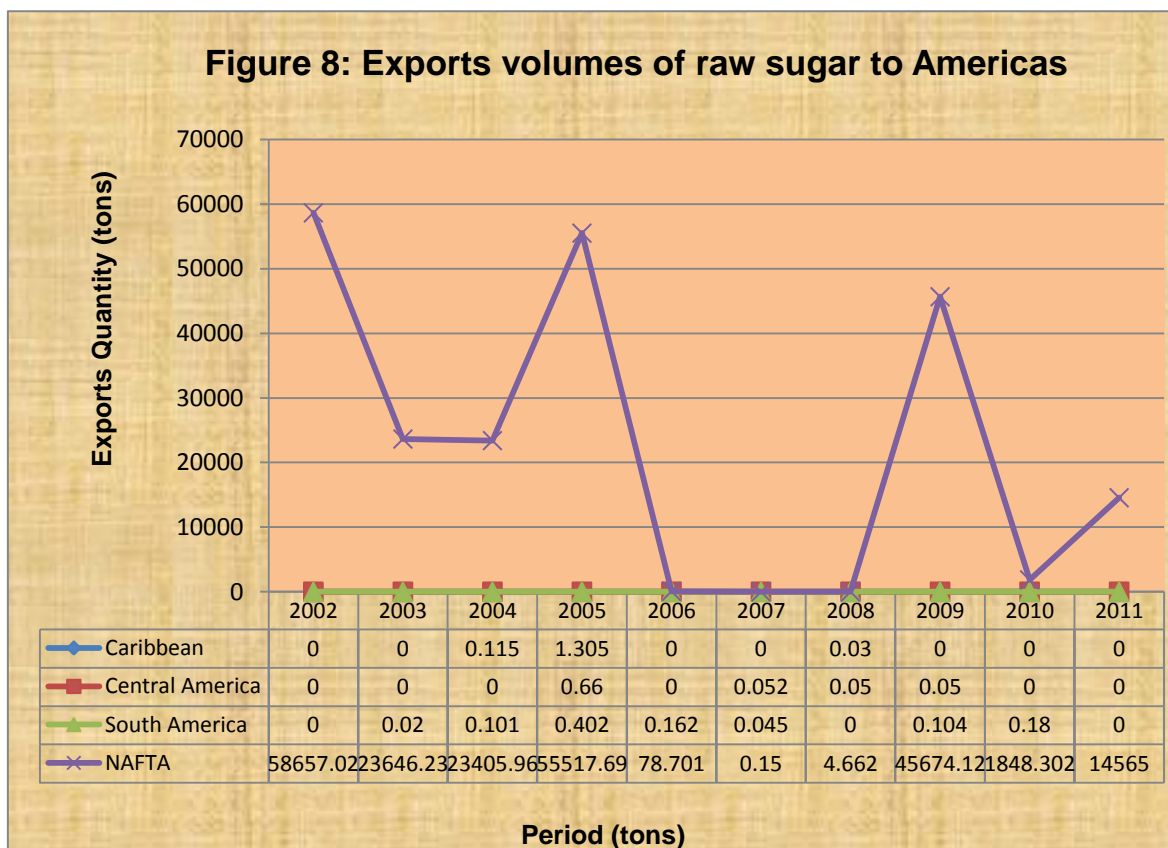
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Angola	152.482	55.445	605.49	70.502	244.45	27.981	7.2	6947.881	19240.916	25970.555
Democratic Republic of the Congo	257.261	309.339	504.043	865.527	907.341	11495.811	18796.091	327.176	1421.567	4787.191
Mauritius	25064.75	1020.133	2080.879	4420.197	2465.003	0.014	0	0.02	3.206	0.075
Malawi	16.866	0.591	2.242	1.06	0.498	6.057	15.085	1.496	2.051	1.105
Mozambique	183139.11	166334.42	115869.01	3078.254	161853.48	171883.26	100691.69	53842.01	35006.322	25576.211
Seychelles	7.876	1.931	0.025	0.495	645.003	0.595	130.744	0.111	0.086	0.361
United Republic of Tanzania	2408.27	2731.379	6417.625	3590.672	1698.531	19.634	5.931	0.012	12294.169	0.147
Zambia	28.821	51.304	5.123	0.524	36.891	0.651	541.697	22.133	1861.567	6.429
Zimbabwe	155.551	257.341	33.754	2.447	3.053	33.983	3260.193	25520.921	35519.537	12723.388

Period (Years)

Source: Quantec

Figure 7 indicates exports volumes of raw sugar from South Africa to the SADC region between 2002 and 2011 period. The figure further indicates that during the past decade, the major export market destination for South African raw sugar was Mozambique, followed by very low levels of raw sugar exports to Zimbabwe and Mauritius. The figure also indicates that raw sugar exports from Mozambique started to increase in 2002 and during the same period attained a peak at an export quantity of about 183 139.11 tons. The figure further indicates that between 2003 and 2005 years, there was a consistent decline in raw sugar exports from South Africa to Mozambique. In 2006, a surge of raw sugar exports was experienced until a second peak was attained at an export quantity of about 171 883.26 tons. Between 2008 and 2011, there was a consistent decline in raw sugar exports volumes from South Africa to Mozambique to lower levels of about 25 576.21 tons.

In 2011, there was a 26.9% decline in exports volumes of raw sugar from South Africa to Mozambique as compared to 2010.

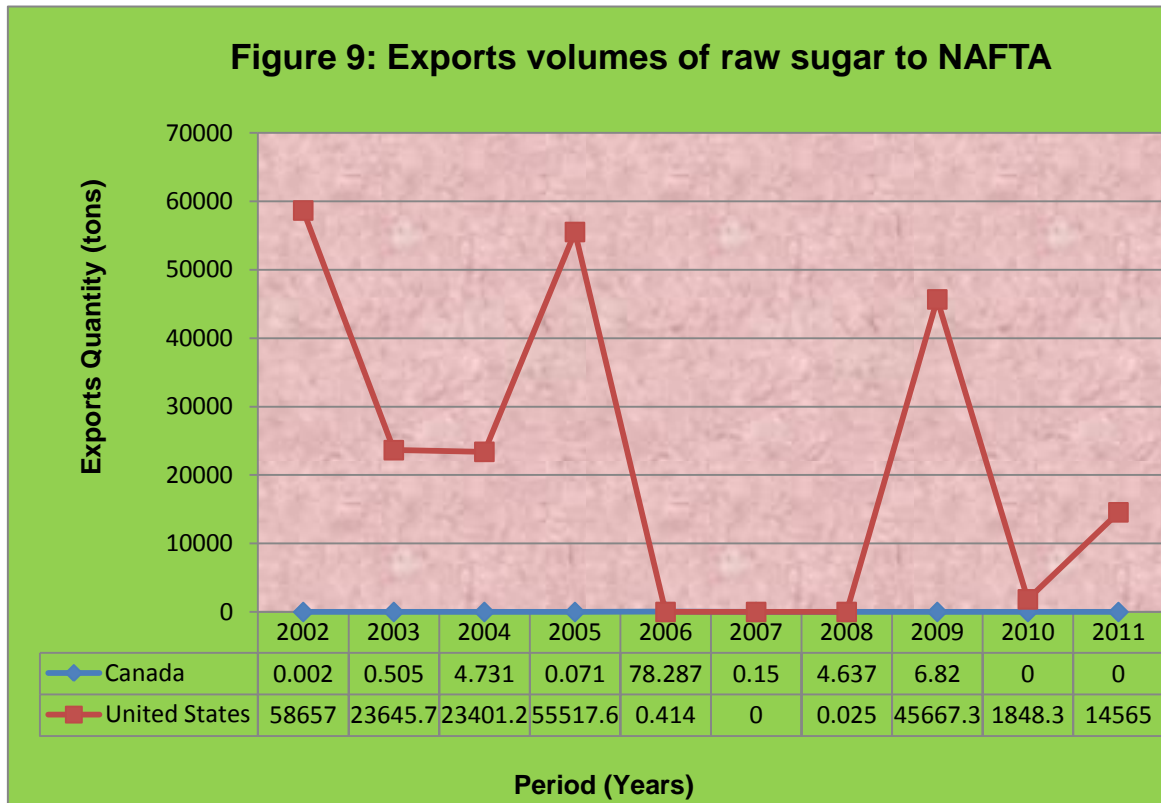


Source: Quantec

Figure 8 illustrates exports volumes of raw sugar from South Africa to the Americas between 2002 and 2011 period. The graph further illustrates that during the past decade, the major export market destination for South African raw sugar exports to the Americas was NAFTA. The figure also illustrates that the largest volumes of exports of raw sugar to NAFTA were recorded in 2002, 2005 and 2009 at export quantities of approximately 45 674.12 tons, 55 517.69 tons and 58 657.02 tons respectively. The exports of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. Caribbean, Central

America and South America had very low intake of raw sugar exports from South Africa during the period under examination.

In 2011, there was a 68.02% increase in exports volumes of raw sugar from South Africa to NAFTA as compared to 2010.

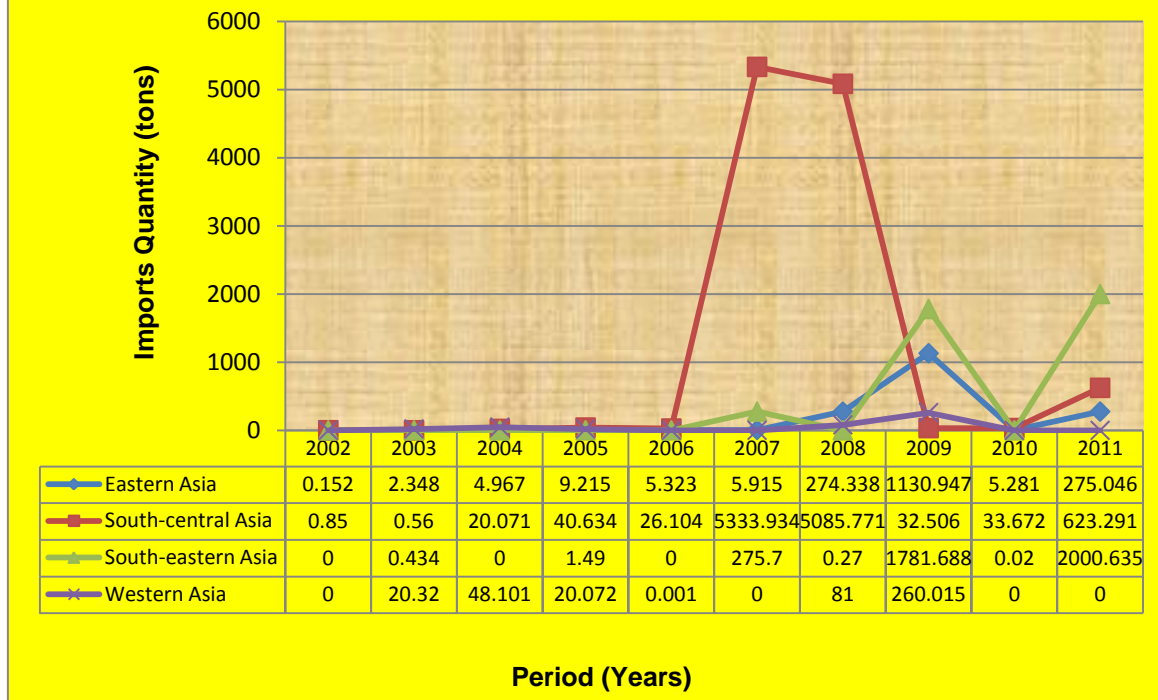


Source: Quantec

Figure 9 depicts exports volumes of raw sugar from South Africa to United States between 2002 and 2011 period. The graph further depicts that during the past decade, the major export market destination for South African raw sugar exports to the NAFTA was United States. The figure also depicts that the largest volumes of raw sugar exports were recorded in 2002, 2005 and 2009 years at export quantities of approximately 45 667.30 tons, 55 517.62 tons and 58 657.02 tons respectively. The exports of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. Canada had very low intake of raw sugar exports from South Africa during the period under examination.

There was a 68.02% increase in exports volumes of raw sugar from South Africa to the United States in 2011 as compared to 2010.

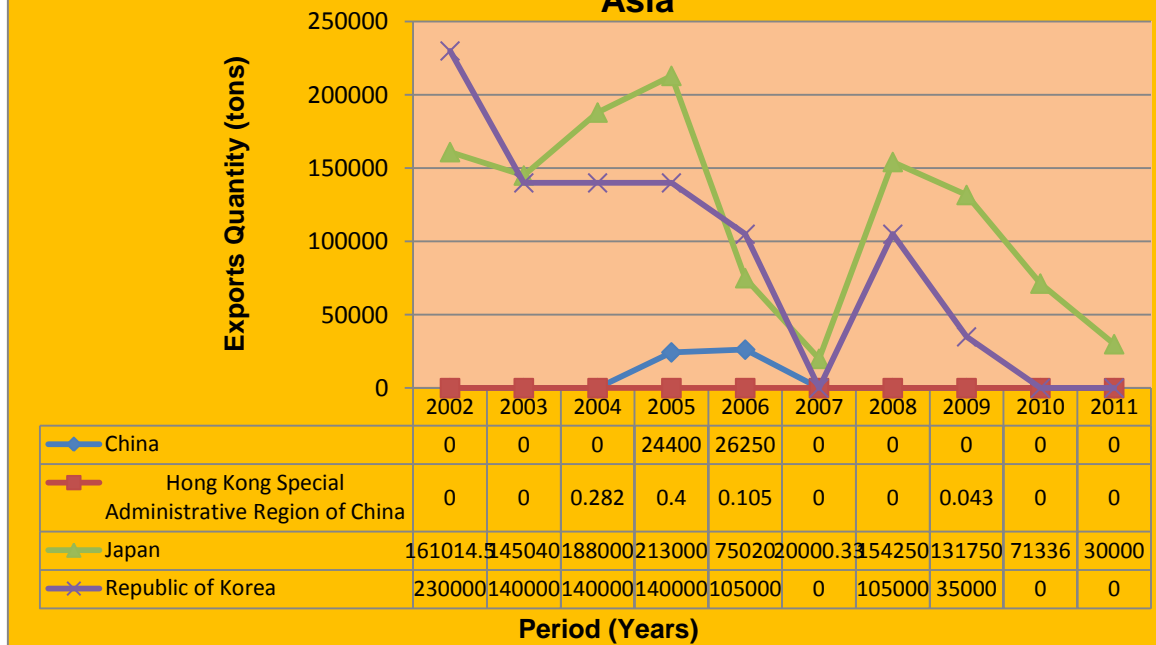
**Figure 29: Imports volumes of raw sugar from Asia**



Source: Quantec

Figure 10 shows exports volumes of raw sugar from South Africa to Asia between 2002 and 2011 period. The graph further shows that during the past decade, the major export market destination for raw sugar from South Africa to Asia was South-central Asia, followed by South-eastern Asia and Eastern Asia. The figure also shows that the largest volumes of raw sugar exports from South Africa to South-central Asia were recorded in 2007 and 2008 at export quantities of approximately 5333.93 tons and 5 085.77 tons respectively. The exports of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. South-eastern Asia and Eastern Asia experienced very low levels of raw sugar exports during the period under scrutiny. In 2009 and 2010, raw sugar exports from South Africa to South-central Asia declined dramatically to the lowest levels of about 32 and 33 tons respectively. In 2011, there was a 58.9% increase in exports volumes of raw sugar from South Africa to South-central Asia as compared to 2010.

**Figure 11: Exports volumes of raw sugar to Eastern Asia**

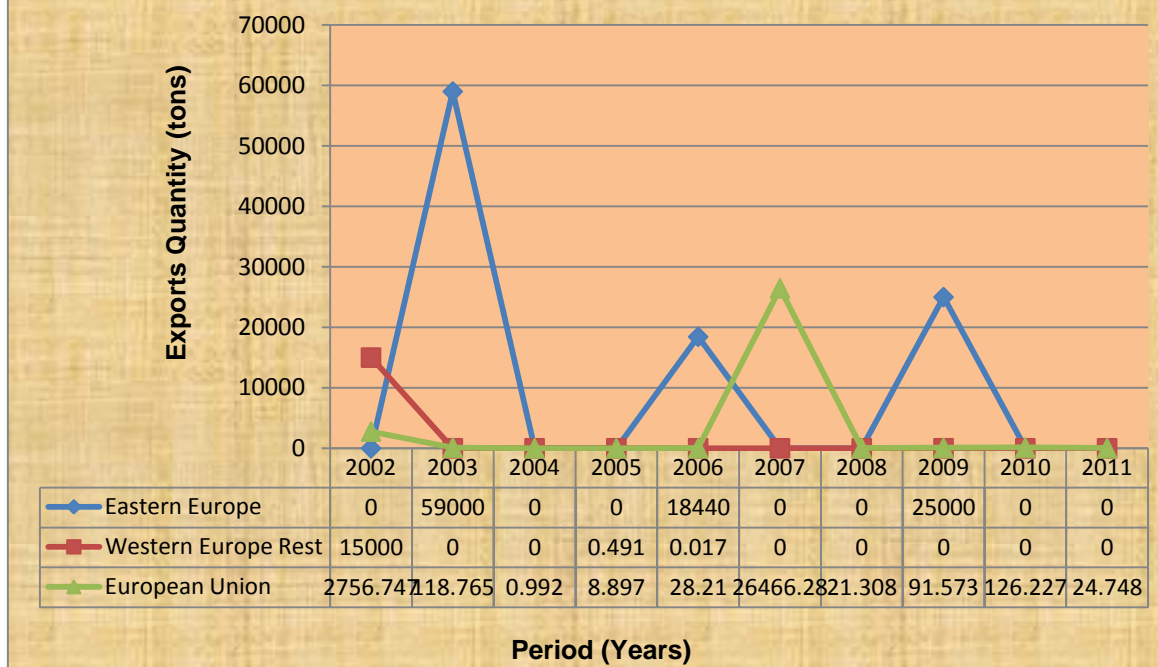


Source: Quantec

Figure 11 indicates exports volumes of raw sugar from South Africa to Eastern Asia between 2002 and 2011 period. The figure further indicates that the major export market destinations for raw sugar exports from South Africa to Eastern Asia was the Republic of Korea, followed by Japan and China. The figure also indicates that during the past decade, Republic of Korea dominated the exports of raw sugar between 2002 and 2003, and then Japan took over between 2004 and 2005 and again between 2007 and 2010. The figure further indicates that exports of raw sugar from South Africa to Republic of Korea attained a peak in 2002 at approximately 230 000 tons, while Japan attained a peak in 2005 at approximately 213 000 tons respectively.

Figure 11 also indicates that there was 100% decline in exports volumes of raw sugar from South Africa to Republic of Korea in 2011 as compared to 2010, while there was 57.9% decline in exports volumes of raw sugar from South Africa to Japan in 2011 as compared to 2010.

**Figure 12: Exports volumes of raw sugar to Europe**

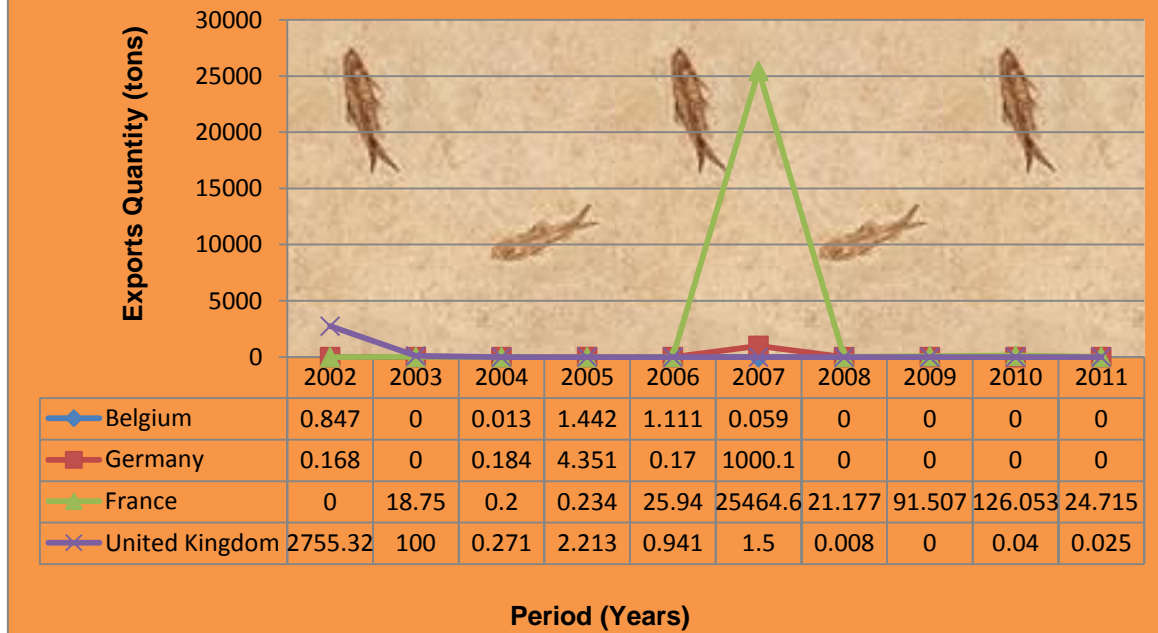


Source: Quantec

Figure 12 illustrates exports volumes of raw sugar from South Africa to Europe between 2002 and 2011 period. The graph further illustrates that exports volumes of raw sugar from South Africa to Europe landed mainly in Eastern Europe, followed by European Union and Western Europe Rest. The figure also illustrates that the largest volumes of exports of raw sugar from South Africa to Eastern Europe were recorded in 2003 at approximately 59 000 tons. The figure also illustrates that the largest volumes of exports of raw sugar from South Africa to the European Union were recorded in 2007 at approximately 26 466.28 tons, while exports of raw sugar to Western Europe were recorded in 2002 at approximately 15 000 tons. The exports of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states.

The figure also illustrates that there was a 100% decline in exports volumes of raw sugar from South Africa to Eastern Europe in 2011 as compared to 2010, while there was 80.2% decline in exports volumes of raw sugar from South Africa to the European Union in 2011 as compared to 2010.

**Figure 13: Exports volumes of raw sugar to European Union**

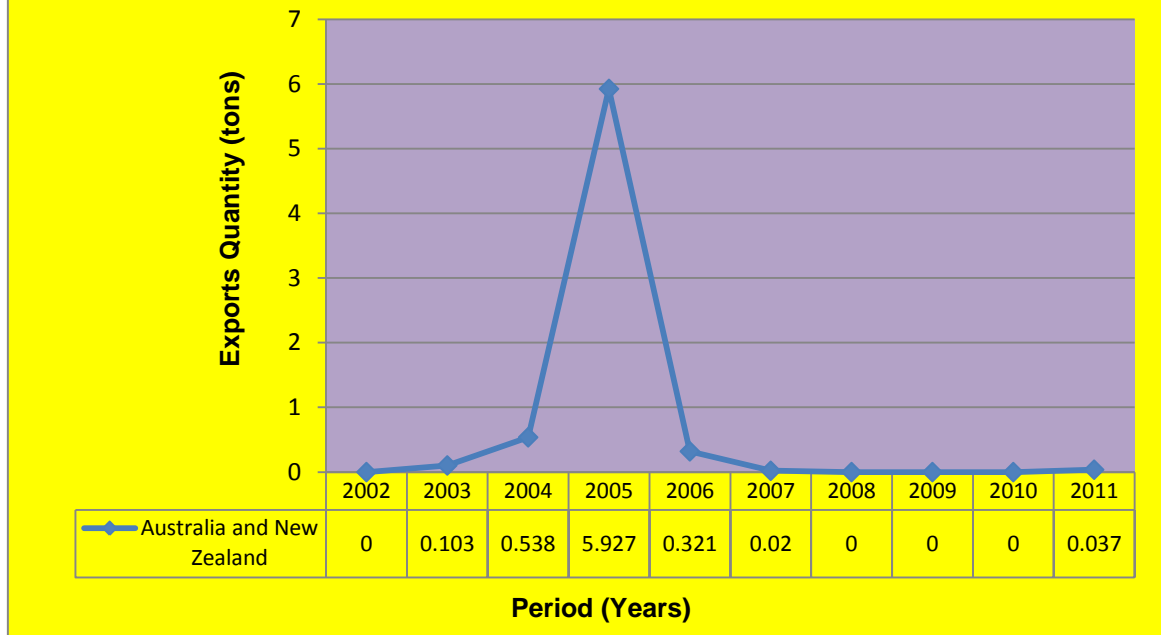


Source: Quantec

Figure 13 depicts exports volumes of raw sugar from South Africa to European Union between 2002 and 2011 period. The figure further depicts that exports of raw sugar from South Africa to the European Union went to France over the past decade. The figure also depicts that exports volumes of raw sugar from South Africa to France started to increase in 2003, declined in 2004 and 2005 until a there was an improvement and a peak in 2007 at approximately 25 465 tons. The figure further depicts that in 2003 and between 2008 and 2011, there were no exports volumes of raw sugar from South Africa to Belgium and Germany. The figure further depicts that in 2002, South Africa did not export sugar to France, while in 2009 South Africa also did not export sugar to United Kingdom.

In 2011, there was 80.4% decline in exports volumes of raw sugar from South Africa to France as compared to 2010.

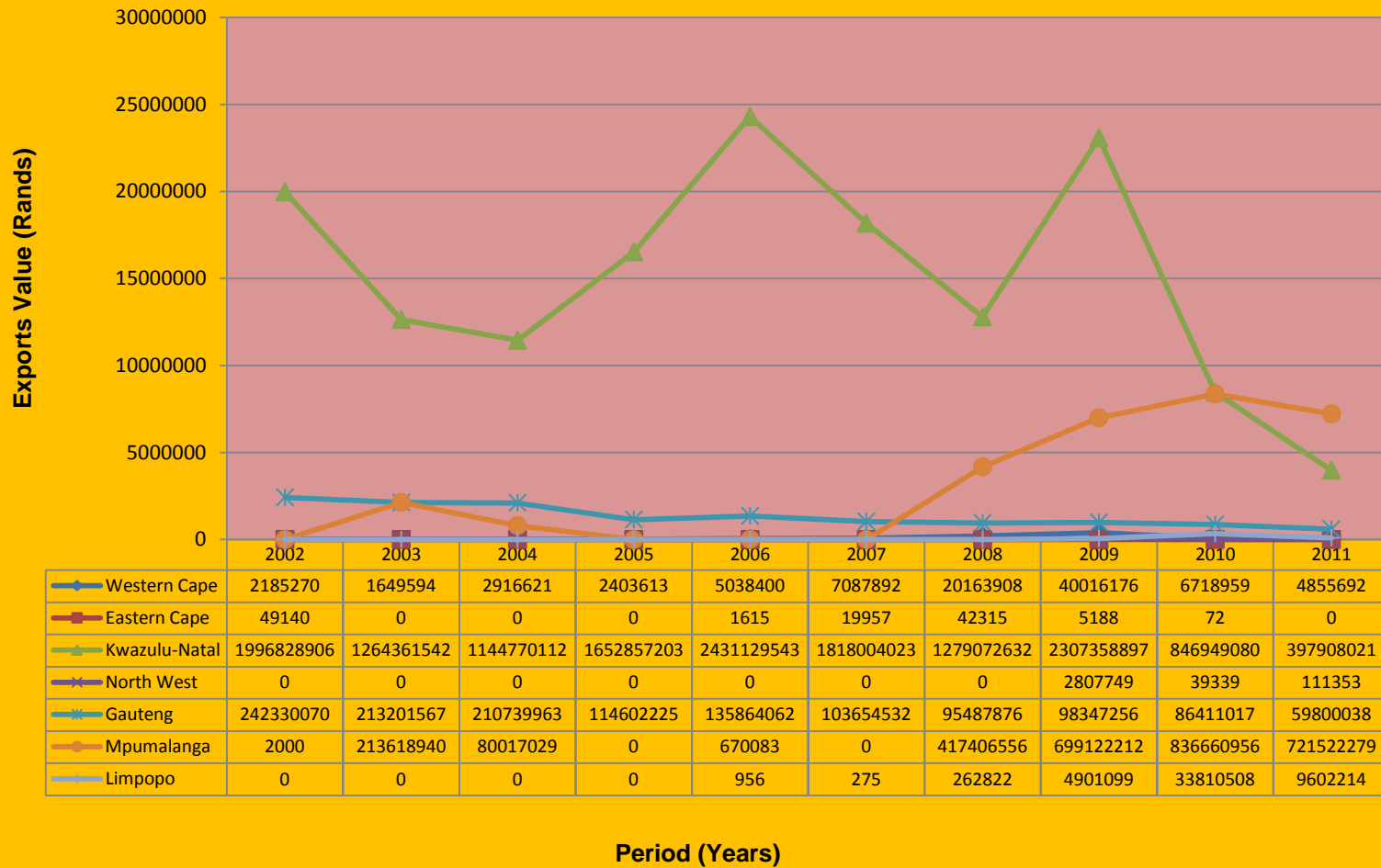
**Figure 14: Exports volumes of raw sugar to Oceania**



Source: Quantec

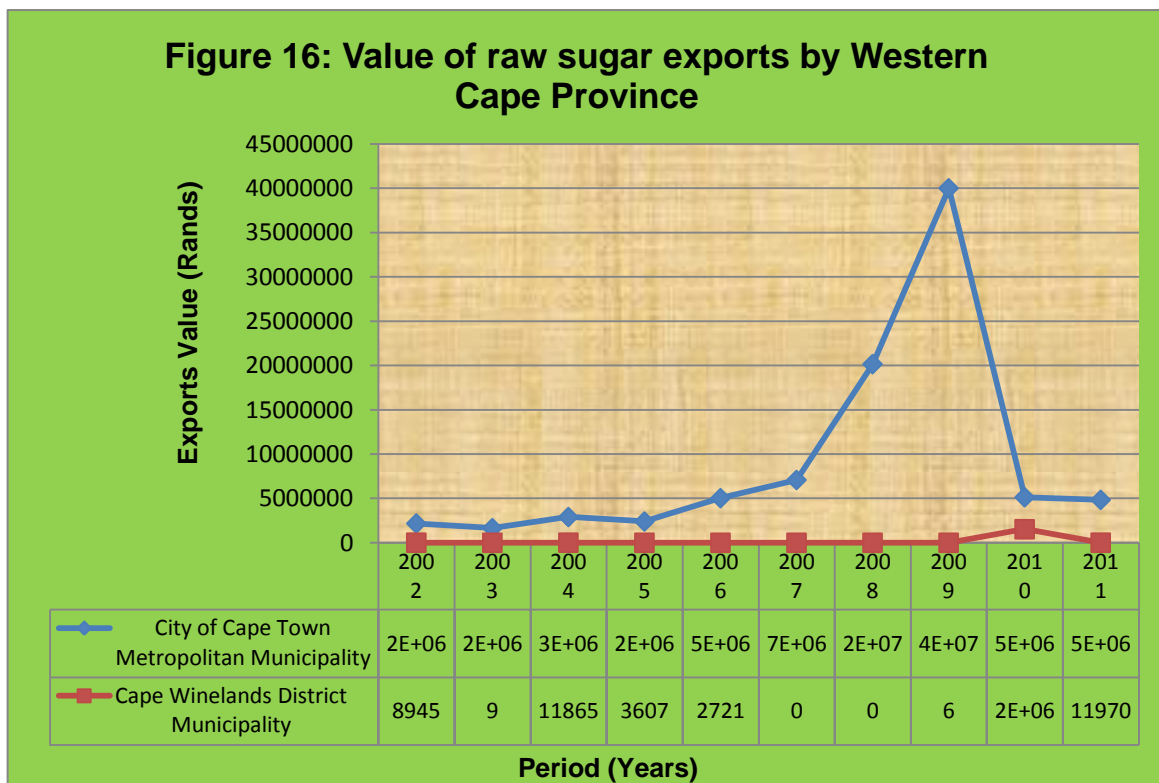
Figure 14 shows exports volumes of raw sugar from South Africa to Oceania between 2002 and 2011 period. The graph further shows that the major export market destination for raw sugar from South Africa to Oceania was Australia and New Zealand over the past decade. The figure also shows that the largest volumes of exports of raw sugar from South Africa to Australia and New Zealand were recorded in 2005 at approximately 5.93 tons. The figure further shows that exports of raw sugar to Australia and New Zealand started to increase in 2003 to 2004, until a peak in 2005. The exports of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighboring states. The figure further shows that in 2002 and again between 2008 and 2010, there were no raw sugar exports from South Africa to Australia and New Zealand. The figure also shows that there was a 100% increase in exports volumes of raw sugar from South Africa to Australia and New Zealand in 2011 as compared to 2007.

**Figure 15: Value of raw sugar exports by Provinces**



Source: Quantec

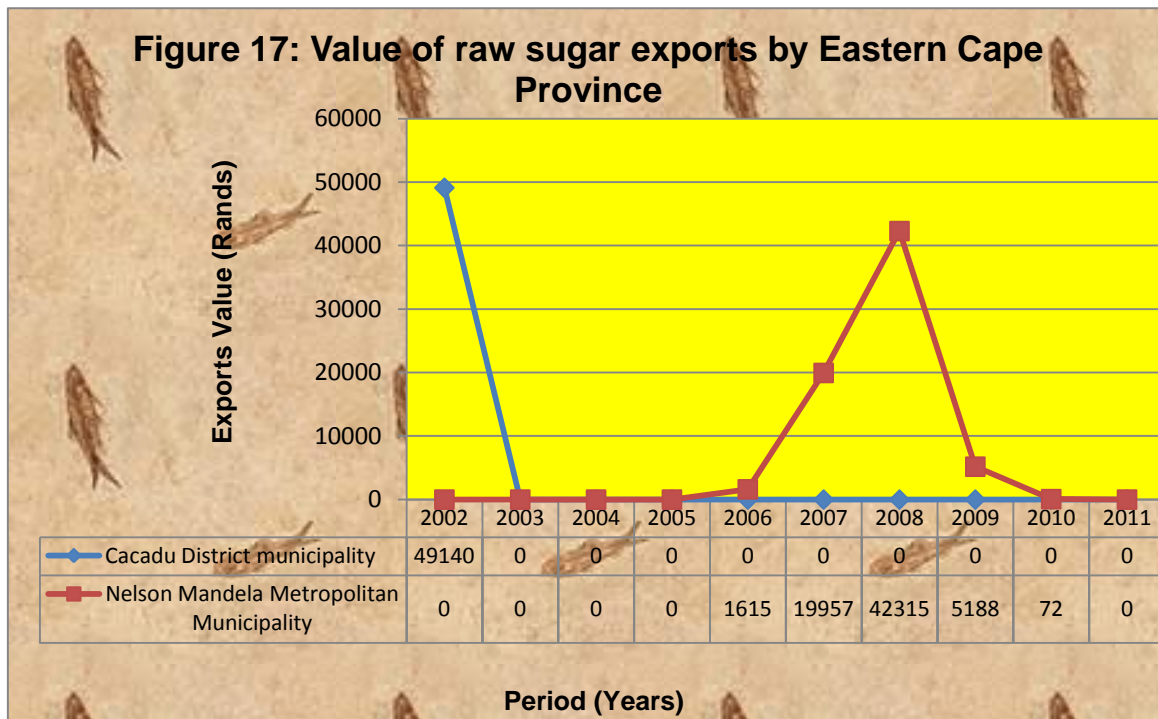
Figure 15 indicates exports values of raw sugar by provinces of South Africa between 2002 and 2011 period. The province that recorded the highest exports for raw sugar during the past decade in 2011 was KwaZulu-Natal, followed by Mpumalanga and Gauteng provinces. A greater proportion of raw sugar exports originate from the KwaZulu-Natal province which is the major sugar producing province and the majority of the sugar mills are located within the province. KwaZulu-Natal exports of raw sugar attained a peak in 2006 and in 2009 at approximately R2.3 billion and R 2.4 billion respectively. Raw sugar exports from the Mpumalanga province have been irregular and very low during the period 2002 and 2011, and since the province is also one of the producers of the crop and has one sugar mill located there. Raw sugar exports from Mpumalanga province attained a peak in 2010 at about R8.3 million. The figure also indicates that exports of raw sugar from Gauteng province attained a peak in 2002 at approximately R2.4 million. There was a 53% decline in exports of raw sugar from KwaZulu-Natal to the world in 2011 as compared to 2010.



Source: Quantec

Figure 16 illustrates exports values of raw sugar by Western Cape Province between 2002 and 2011 period. During the period under scrutiny, City of Cape Town Municipality commanded greatest share in terms of raw sugar exports from Western Cape, with a peak in 2009 at approximately R40 million. The figure further illustrates that from 2002 to 2007, raw sugar exports from the City of Cape Town municipality experienced very low levels of trade. The graph also illustrates that from 2008, there was a surge in terms of exports of raw sugar from City of Cape Town Metropolitan Municipality until a peak in 2009. Cape Winelands District had intermittent exports of raw sugar from South Africa during the period under review.

The figure also illustrates that there was a 5.8% decline in exports of raw sugar from the City of Cape Town to the world in 2011 as compared to 2010.

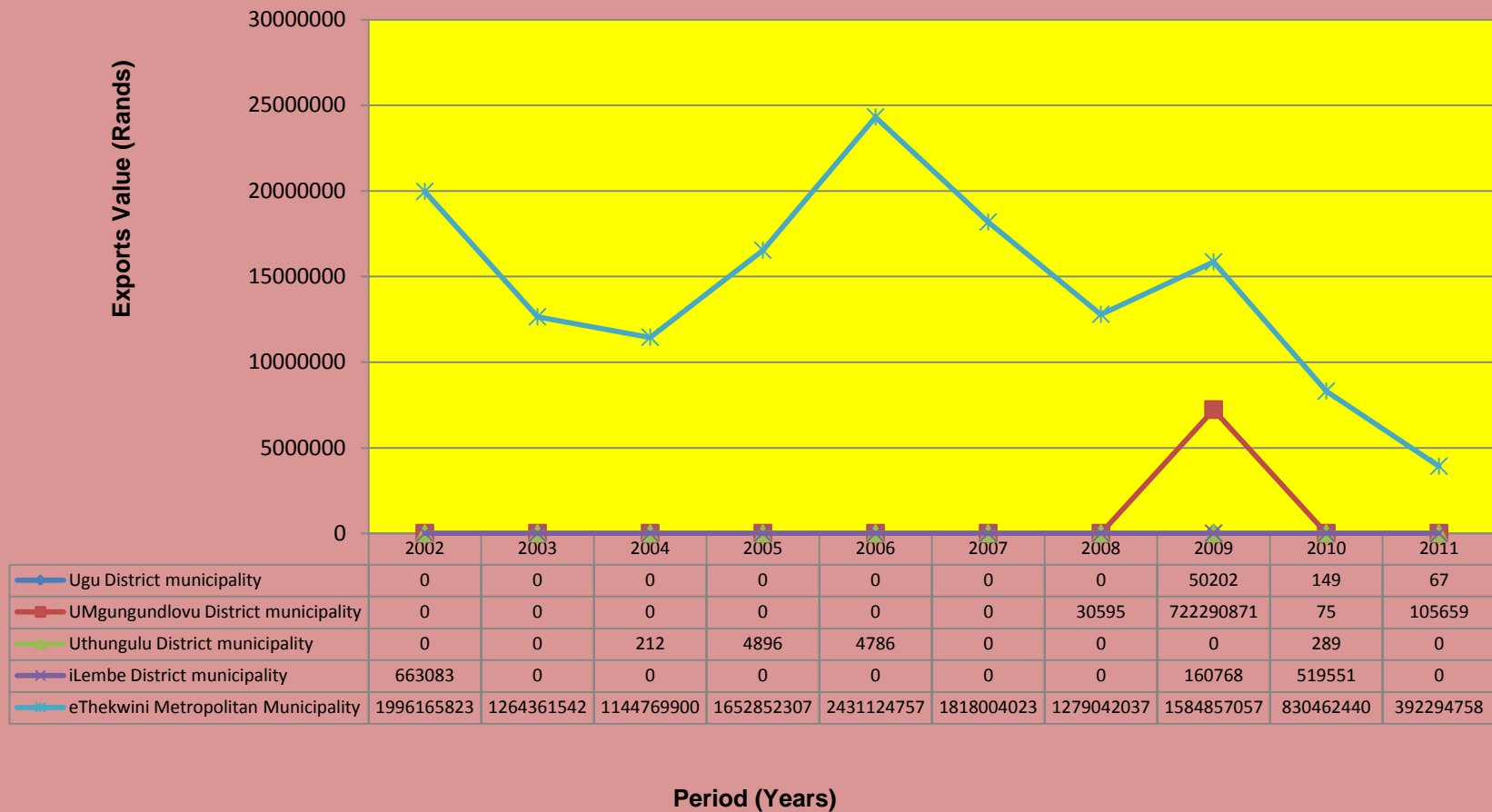


Source: Quantec

Figure 17 depicts exports values of raw sugar by Eastern Cape Province between 2002 and 2011 period. During the period under examination, Cacadu District followed by Nelson Mandela Metropolitan Municipality commanded greatest share in terms of raw sugar exports. Cacadu District dominated raw sugar exports in 2002 and during the same period attained a peak at approximately R49 140. Nelson Mandela Metro dominated raw sugar exports from 2007 to 2010 and attained a peak in 2008 at approximately R42 315. The graph further depicts that there were no exports of raw sugar from Cacadu District to the world from 2003 until 2011 marketing season. The graph also depicts that there were no exports of raw sugar from Nelson Mandela Metro to the world between 2002 and 2005 and again in 2011.

In 2011, there was a 100% decline in exports of raw sugar from Cacadu District to the world as compared to 2002, while there was also a 100% decline in exports of raw sugar from Nelson Mandela Metro municipality to the world in 2011 as compared to 2010.

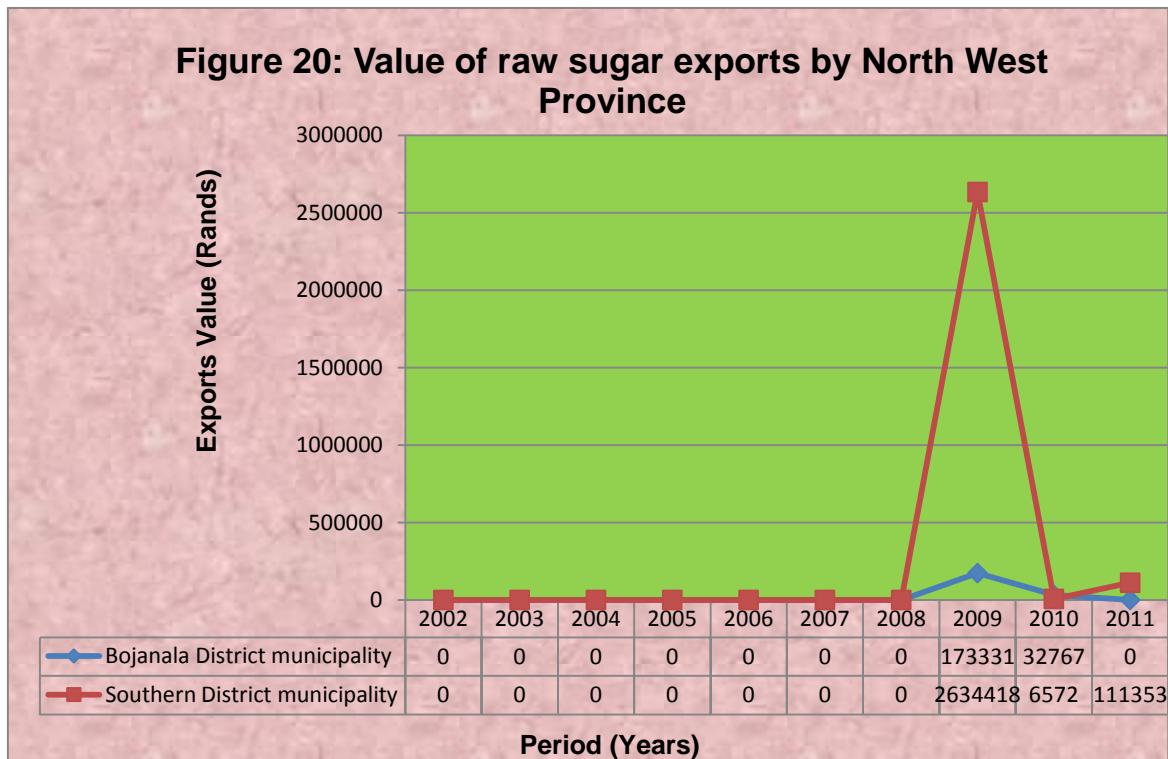
**Figure 19: Value of raw sugar exports by KwaZulu-Natal Province**



Source: Quantec

Figure 19 illustrates exports values of raw sugar by KwaZulu-Natal Province to the world between 2002 and 2011 period. The graph further illustrates that eThekweni Metropolitan Municipality recorded greater values in terms of exports of raw sugar to the world during the period under examination. The graph also illustrates that exports of raw sugar by eThekweni Metropolitan Municipality dominated the ten year period, and attained a peak in 2006 at approximately R2.4 billion. The graph further illustrates that exports of raw sugar from UMgungundlovu District Municipality to the world recorded low levels of raw sugar exports of less than R10 million in 2009. The graph also illustrates that Ugu, Uthukela, Uthungulu and iLembe District municipalities had very low levels of raw sugar exports to the world of not more than R700 000 during the period under scrutiny.

There was a 52.8% decline in exports of raw sugar from eThekweni Metro municipality to the world in 2011 as compared to 2010, while there was also 140% increase in exports of raw sugar from UMgungundlovu District to the world in 2011 as compared to 2010.

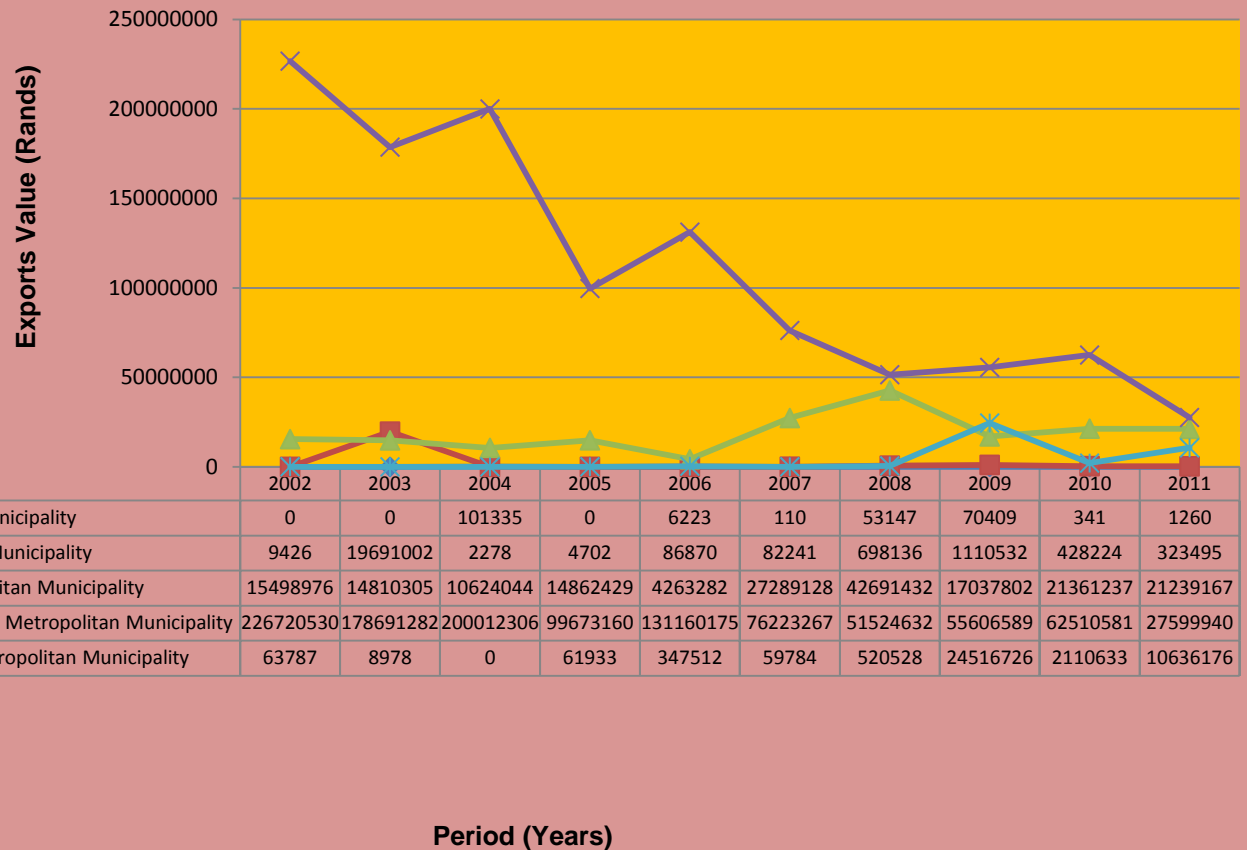


Source: Quantec

Figure 20 indicates exports values of raw sugar from North West Province to the world between 2002 and 2011 period. The graph further indicates that raw sugar exports from North West Province to the world originated mainly from Southern District, followed by very low levels of raw sugar exports from Bojanala District to the world during the period under scrutiny. The graph also indicates that the main exports of raw sugar from Southern District to the world took place in 2009 when the peak was attained at approximately R2.6 million. Bojanala District attained a peak of raw sugar exports to the world also in 2009 at approximately R173 331. The figure further indicates that between 2002 and 2008, there were no raw sugar exports from both Bojanala and Southern Districts.

In 2011, there was a 159% increase in exports of raw sugar from Southern District to the world as compared to 2010.

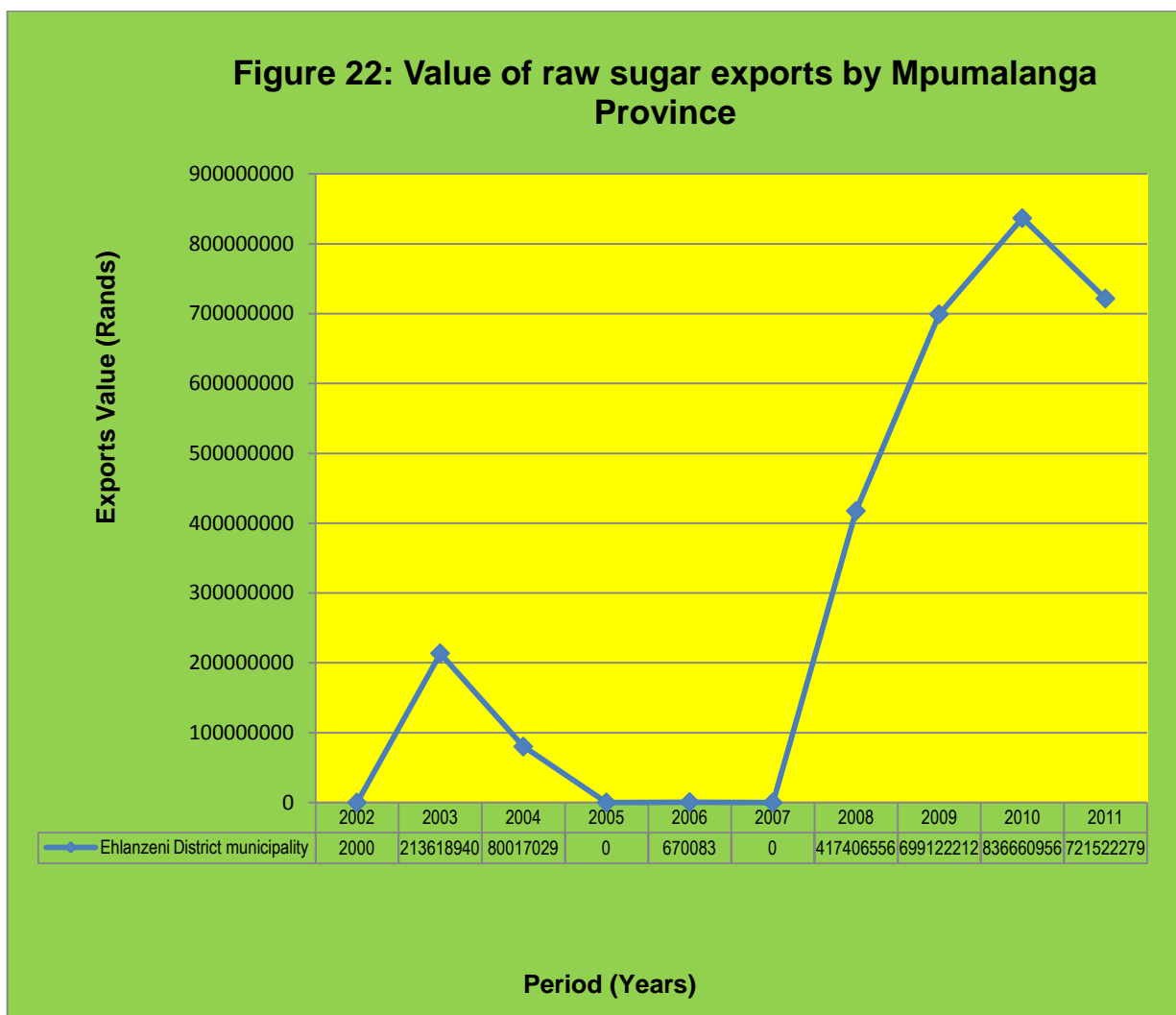
**Figure 21: Value of raw sugar exports by Gauteng Province**



Source: Quantec

Figure 21 depicts exports values of raw sugar from Gauteng Province to the world between 2002 and 2011 period. The graph further depicts that the City of Johannesburg Metro, followed by Ekurhuleni Metro recorded highest export values of raw sugar to the world during the period under examination. The figure also depicts that exports of raw sugar from the City of Johannesburg Metro to the world started to increase in 2002, and at the same time attained a peak at approximately R226 million. The figure also depicts that the declines in raw sugar exports that were recorded in 2003, 2005, 2007 and 2008 ranged between R51 and R178 million. The graph further depicts that Sedibeng District, West Rand District and City of Tshwane Metro had very low levels of raw sugar exports to the world during the period under examination.

The figure also depicts that there was 55.8% decline in exports of raw sugar from the City of Johannesburg Metro to the world in 2011 as compared to 2010.

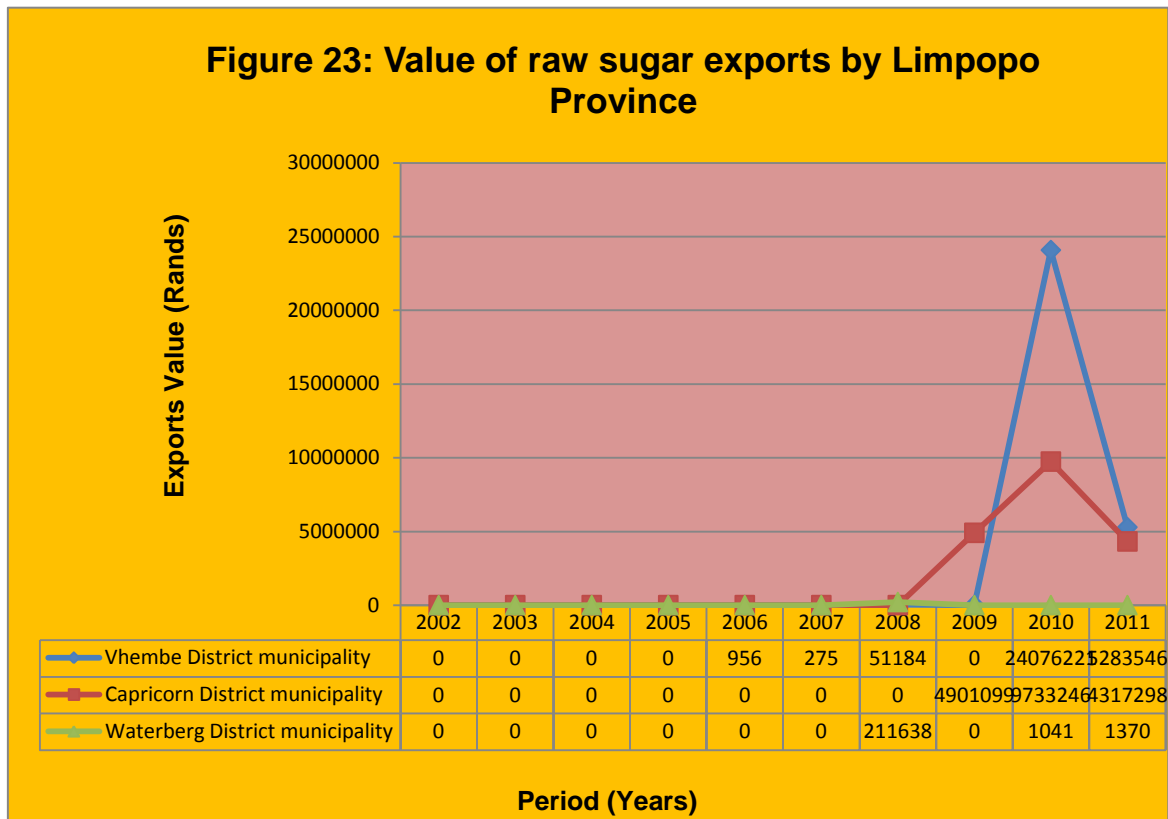


Source: Quantec

Figure 22 shows exports values of raw sugar from Mpumalanga Province to the world between 2002 and 2011 period. During the period under scrutiny, Ehlanzeni District Municipality commanded greatest share of raw sugar exports from Mpumalanga Province to the world. The

figure further shows that exports of raw sugar from Ehlanzeni District to the world started to increase in 2003, and then declined between 2004 and 2007. Between 2008 and 2009, there was a surge in raw sugar exports until a peak was attained in 2010 at approximately R836 million. The graph also shows that in 2005 and 2007, there were no exports of raw sugar from Ehlanzeni District Municipality to the world.

The figure further shows that there was a 13.8% decline in exports of raw sugar from Ehlanzeni District Municipality to the world in 2011 as compared to 2010.



Source: Quantec

Figure 23 illustrates exports values of raw sugar by Limpopo Province to the world between 2002 and 2011 period. During the period under examination, Vhembe District commanded greatest share of raw sugar exports from Limpopo Province to the world, followed by low levels of raw sugar exports from Capricorn and Waterberg Districts. The figure further illustrates that exports of raw sugar from Vhembe District started to increase in 2008, and saw a decline in 2009 until a peak was attained in 2010 at approximately R24 million. The figure also illustrates that exports of raw sugar from Capricorn District to the world started to increase in 2009 until a peak was attained in 2010 at approximately R9.7 million. Between 2002 and 2005, there were no exports of raw sugar from Vhembe District to the world, while between 2002 to 2007; there were no exports of raw sugar from Capricorn and Waterberg Districts to the world.

In 2011, there was a 78.1% decline in exports of raw sugar from Ehlanzeni District Municipality to the world as compared to 2010

### 3.1 Share Analysis

Table 4 illustrates the share of provincial sugar exports by provinces of South Africa during the period between 2002 and 2011 period. The KwaZulu-Natal province commanded the greatest share in exports of raw sugar from 2002 to 2010, while Mpumalanga province came in a second place in 2011 of the period under scrutiny. This observation is due to the fact that the KwaZulu-Natal province is the greatest producer of sugar, the majority of the sugar mills are located within the province and the use of the Durban port as a bypass of exports of raw sugar, refined sugar and molasses play a major role in increasing the province's share of sugar exports to the world. The graph further illustrates that Mpumalanga province comes second in terms of the share of sugar exports primarily because the province is close to the borders of Swaziland and therefore makes it easy to export sugar to that country.

**Table 4: Share of provincial sugar exports to the total South Africa sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Province										
Western Cape	0.10	0.10	0.20	0.14	0.20	0.37	1.11	1.27	0.37	0.41
Eastern Cape	0.00	0.00	0.00	0.00	6.28	0.00	0.00	0.00	3.98	0.00
KwaZulu-Natal	89.1	74.7	79.6	93.4	94.5	94.3	70.6	73.2	46.8	33.3
North-West	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.09	0.00	0.01
Gauteng	10.8	12.6	14.7	6.48	5.28	5.37	5.26	3.12	4.77	5.01
Mpumalanga	8.92	12.6	5.56	0.00	0.03	0.00	23.0	22.2	46.2	60.4
Limpopo	0.00	0.00	0.00	0.00	3.72	1.43	0.01	0.16	1.87	0.80

Source: Calculated from Quantec

Table 5 shows that City of Cape Town commanded greatest share in terms of sugar exports from Western Cape Province during the period under scrutiny.

**Table 5: Share of district sugar exports to the total Western Cape sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
City of Cape Town	99.6	99.9	99.6	99.8	99.9	100	100	99.9	76.5	99.75
Cape Winelands	0.41	0.00	0.41	0.15	0.05	0.00	0.00	1.37	22.8	0.25

Source: Calculated from Quantec

Table 6 indicates that Nelson Mandela Metropolitan Municipality commanded greatest share in terms of sugar exports from Eastern Cape Province during the period under review.

**Table 6: Share of district sugar exports to the total Eastern Cape provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Cacadu District	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Nelson Mandela	0.00	0.00	0.00	0.00	100	100	100	100	100	0.00

Source: Calculated from Quantec

Table 7 depicts that eThekweni Metro Municipality commanded greatest share in terms of sugar exports from KwaZulu-Natal province followed by UMgungundlovu District during the period under review.

**Table 7: Share of district sugar exports to the total KwaZulu-Natal provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Ugu District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.76	1.71
UMgungundlovu District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31.3	8.86	0.03
Uthungulu District	0.00	0.00	1.88	0.00	0.00	0.00	0.00	0.00	3.41	0.00
iLembe District	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.06	0.00
eThekweni Metro	99.9	100	99.99	99.9	99.9	100	99.9	68.7	98.1	99.9

Source: Calculated from Quantec

Table 8 illustrates that Southern District commanded greatest share in terms of sugar exports from North West province during the period under review.

**Table 8: Share of district sugar exports to the total North West provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Bojanala	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.17	83.3	0.00

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Southern District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	93.8	16.7	100

Source: Calculated from Quantec

Table 9 shows that City of Johannesburg followed by Ekurhuleni Metro commanded greatest share in terms of sugar exports from Gauteng province during the period under review.

**Table 9: Share of district sugar exports to the total Gauteng provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Sedibeng District	0.00	0.00	0.05	0.00	0.00	0.00	0.06	0.07	0.00	0.00
West Rand District	0.00	9.24	0.00	0.00	0.06	0.08	0.73	1.13	0.49	0.54
Ekurhuleni Metro	6.40	6.95	5.04	13.0	3.14	26.3	44.7	17.3	24.7	35.5
City of Johannesburg	93.6	83.8	94.9	87.0	96.5	73.5	54.0	56.5	72.3	46.2
City of Tshwane	0.03	0.00	0.00	0.01	0.26	0.06	0.55	24.9	2.44	17.8

Source: Calculated from Quantec

Table 10 shows that Ehlanzeni District commanded greatest share in terms of sugar exports from Mpumalanga province during the period under review.

**Table 10: Share of district sugar exports to the total Mpumalanga provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Ehlanzeni District	100	100	100	0.00	100	0.00	100	100	100	100

Source: Calculated from Quantec

Table 11 shows that Vhembe District commanded greatest share in terms of sugar exports from Limpopo province during the period under review.

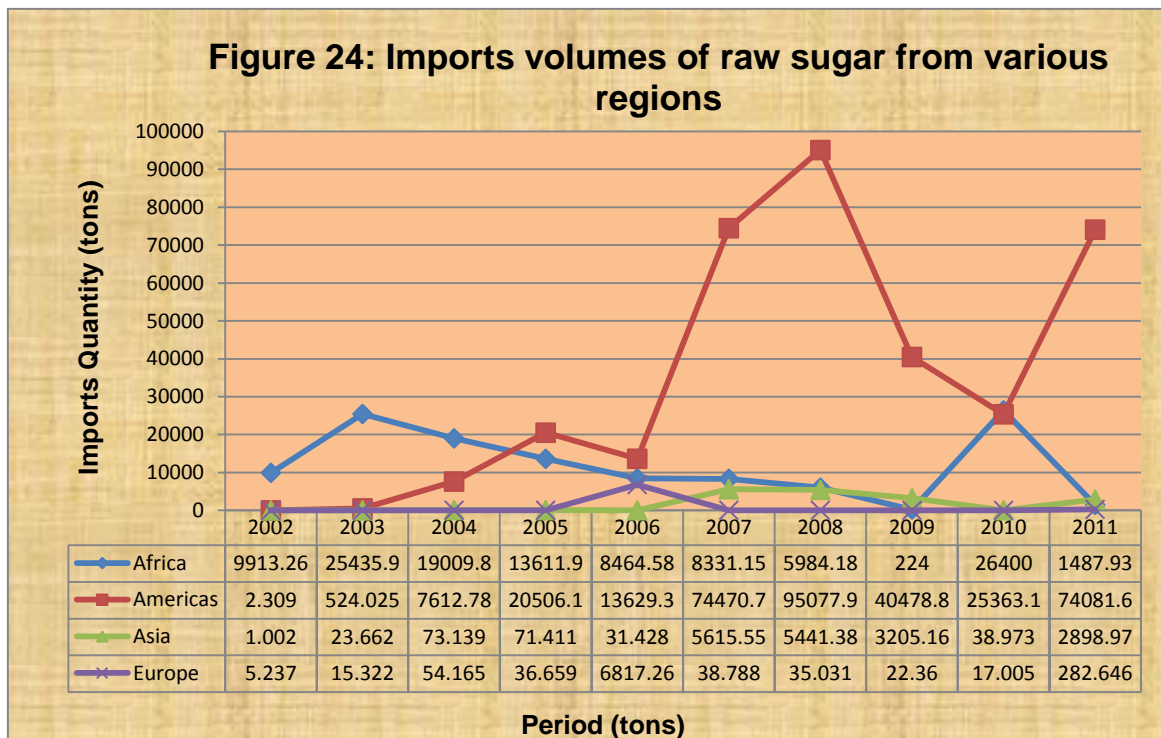
**Table 11: Share of district sugar exports to the total Limpopo provincial sugar exports (%)**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
District										
Vhembe District	0.00	0.00	0.00	0.00	100	100	19.5	0.00	71.2	55.0
Capricorn District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100	28.8	45.0
Waterberg District	0.00	0.00	0.00	0.00	0.00	0.00	80.5	0.00	0.00	0.01

Source: Calculated from Quantec

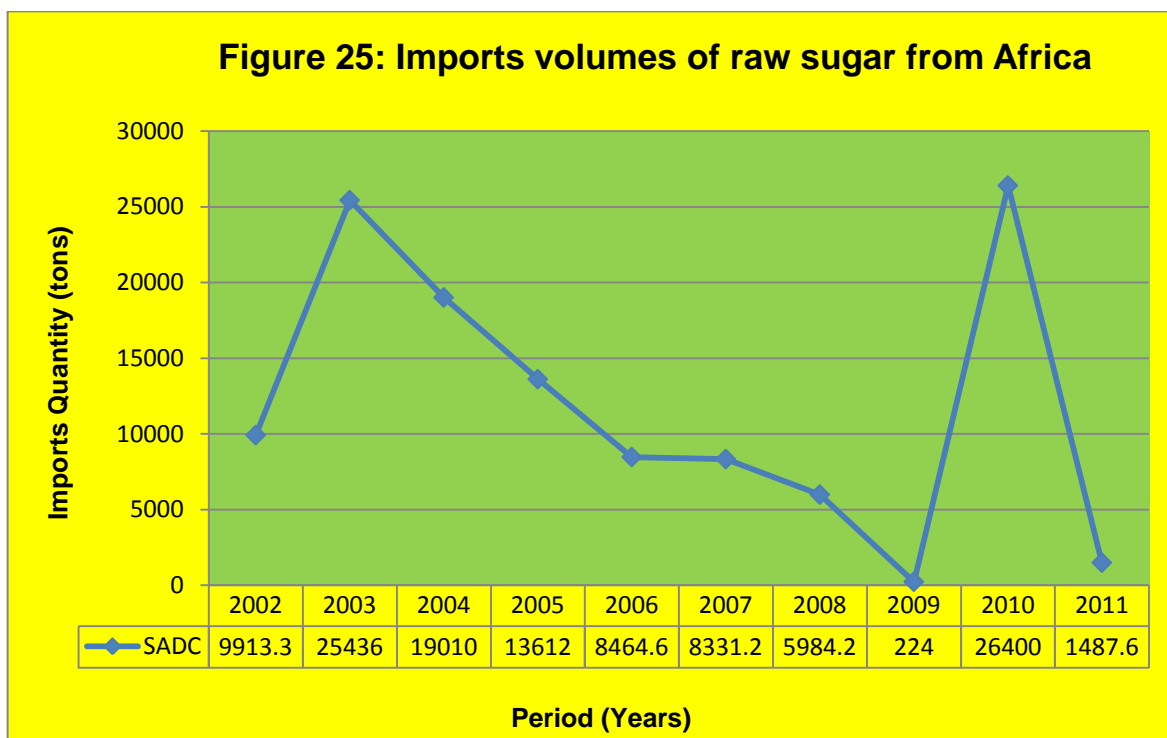
#### 4. IMPORTS VOLUMES OF RAW SUGAR

Figure 24 confirms imports volumes of raw sugar from various regions into South Africa between 2002 and 2011 period.



Source: Quantec

Figure 24 confirms that the greatest fraction of raw sugar imports from the world into South Africa was from Americas followed by low import volumes from Africa, Europe and Asia. The graph also confirms that between 2002 and 2004, the industry experienced increasing volumes of imports, originating mainly from Africa, and then between 2005 and 2010 period, Americas dominated imports of raw sugar into South Africa. The graph also confirms that imports volumes of raw sugar from the Americas into South Africa started to increase in 2004, and then a decline occurred in 2006. Imports volumes of raw sugar from the Americas into South Africa saw a sharp increase in 2007 owing to a marginal decline in domestic raw sugar production and consequently exports in 2009 and 2010. Imports volumes of raw sugar from the Americas into South Africa attained a peak in 2008 at approximately 95 077.92 tons, while imports volumes of raw sugar from Africa attained a peak in 2003 at approximately 25 435.95 tons. The figure also confirms that there was a 192.10% increase in imports of raw sugar from Americas into South Africa in 2011 as compared to 2010.

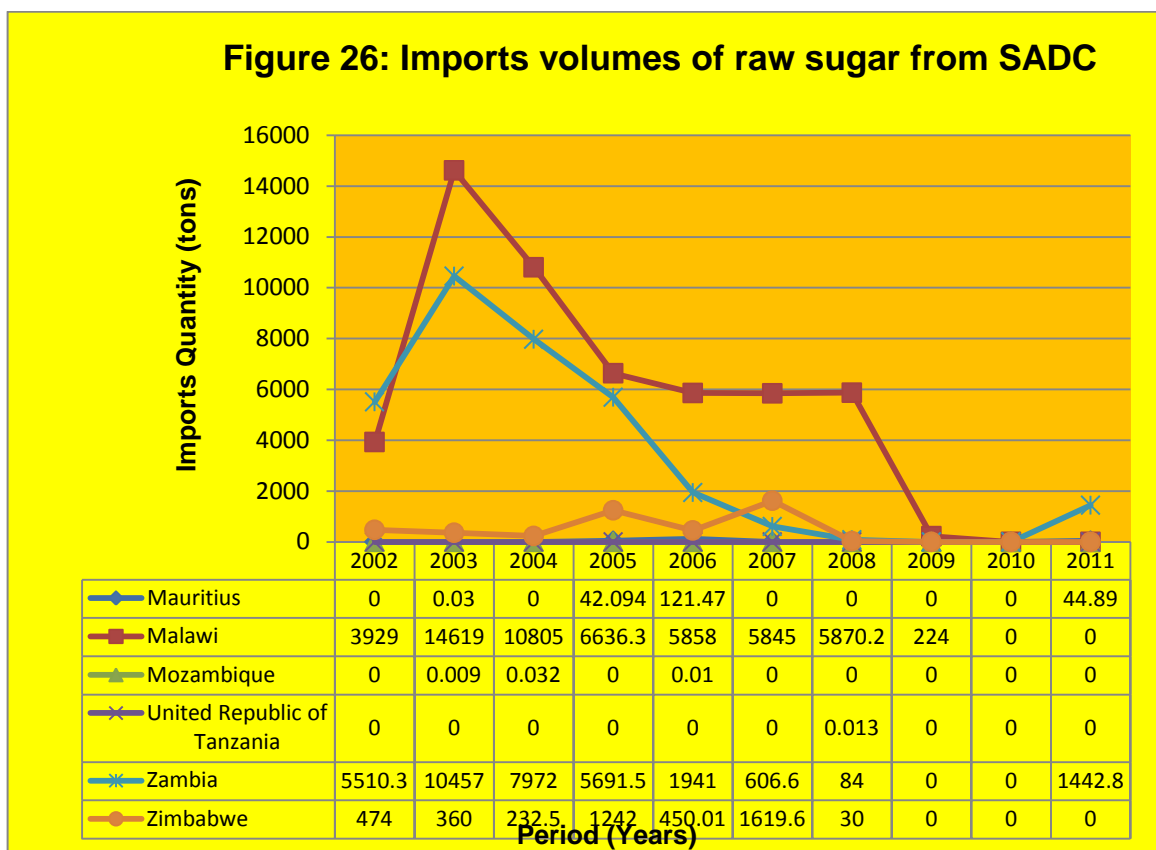


Source: Quantec

Figure 25 indicates imports volumes of raw sugar from Africa into South Africa between 2002 and 2011 period. The graph further indicates that imports of raw sugar from Africa originated mainly in the SADC region during the period under examination, particularly from Malawi and Zambia. The figure also indicates that imports volumes of raw sugar from the SADC region into South Africa started to increase in 2002, until a peak was attained in 2003 and 2010 at approximately 25 435.95 and 26 400 tons respectively. The graph also indicates that in 2004, there was a declining trend in volumes terms of raw sugar from approximately 19 000 tons to lower levels of raw sugar exports of 224 tons in 2009 during the period under review. The figure also indicates that the SADC region had no competition in terms of imports of raw sugar from Africa into South Africa during this period.

The graph further indicates that there was a 99.2% decline in imports of raw sugar from the SADC region into South Africa in 2011 as compared to 2010.

**Figure 26: Imports volumes of raw sugar from SADC**

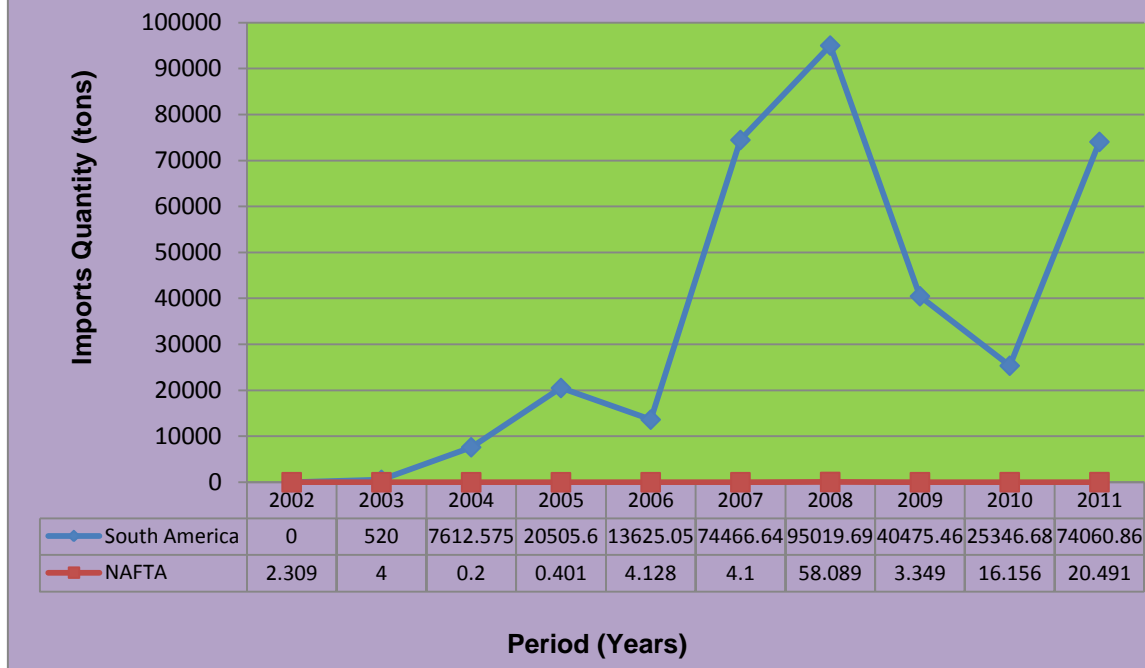


Source: Quantec

Figure 26 depicts imports volumes of raw sugar from the SADC region into South Africa between 2002 and 2011 period. The graph further depicts that imports of raw sugar from the SADC region into South Africa originated mainly in Malawi, followed by Zambia during the period under examination. The figure also depicts that imports volumes of raw sugar from Malawi started to increase in 2002, until a peak was attained in 2003 at approximately 14 618.55 tons, while imports volumes of raw sugar from Zambia started to increase in 2002, until a peak was also attained in 2003 at approximately 10 457.35 tons. The figure further depicts that between 2004 and 2010, there was a declining trend in volumes of raw sugar from both Malawi and Zambia during the period under review. The figure also depicts that Malawi and Zambia had no competition in terms of imports of raw sugar from SADC into South Africa during this period.

In 2010 and 2011, there was a 100% decline in imports of raw sugar from Malawi into South Africa as compared to 2009, while there was a 100% increase in imports of raw sugar from Zambia into South Africa in 2011 as compared to 2010.

**Figure 27: Imports volumes of raw sugar from Americas**



Source: Quantec

Figure 27 illustrates imports volumes of raw sugar from the Americas into South Africa between 2002 and 2011 period. The graph illustrates that South America, Brazil in particular commanded greatest share in terms of imports of raw sugar during the period under examination with no competition from other regions. Imports volumes of raw sugar from South America into South Africa attained a peak in 2008 at approximately 95 019.69 tons during the same period under review. During the same period under scrutiny, raw sugar imports from Brazil experienced a sharp increase between 2006 and 2008 due to a marginal decline in domestic sugar cane production and consequently exports. The graph also illustrates that there was a 192.20% increase in imports of raw sugar from South America into South Africa in 2011 as compared to 2010.

Figure 28 illustrates imports volumes of raw sugar from South America into South Africa between 2002 and 2011 period. The graph illustrates that South America, Brazil in particular commanded greatest share in terms of imports of raw sugar during the period under examination with no competition from other regions. Imports volumes of raw sugar from South America into South Africa attained a peak in 2008 at approximately 95 019.70 tons during the period under review. During the same period under scrutiny, raw sugar imports from Brazil experienced a sharp increase between 2006 and 2008 due to a marginal decline in domestic sugar cane production and consequently exports.

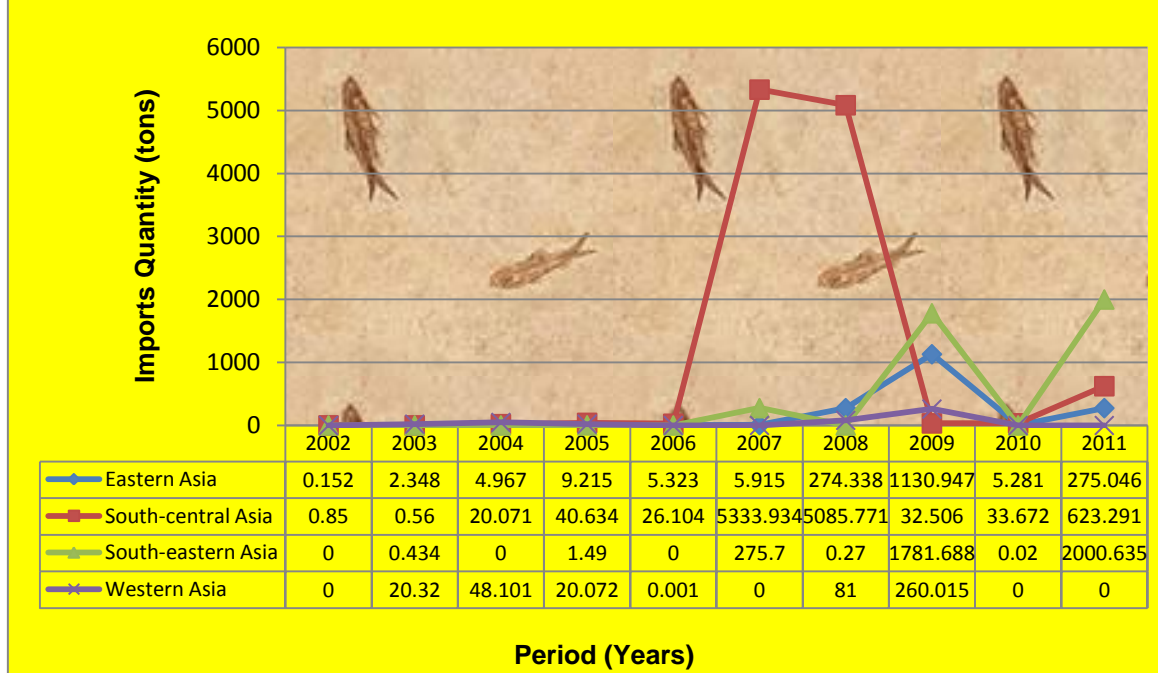
The graph also illustrates that there was a 192% decline in imports of raw sugar from Brazil into South Africa in 2011 as compared to 2010.

**Figure 28: Imports volumes of raw sugar from South America**



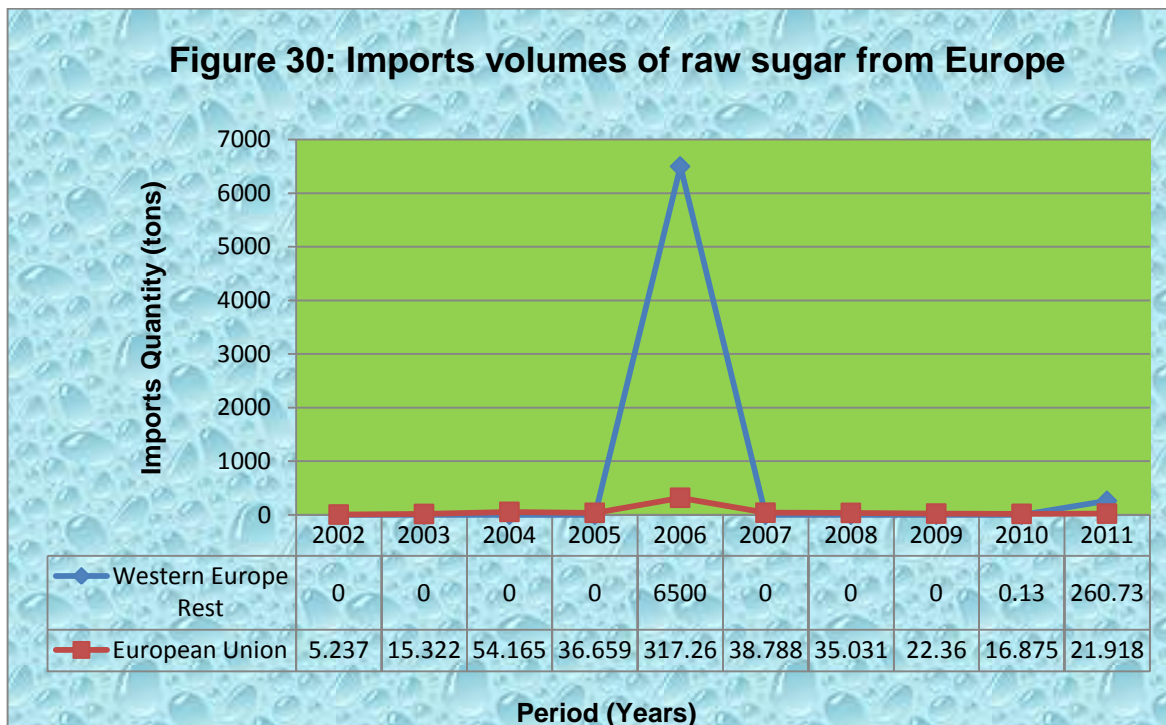
Source: Quantec

**Figure 29: Imports volumes of raw sugar from Asia**



Source: Quantec

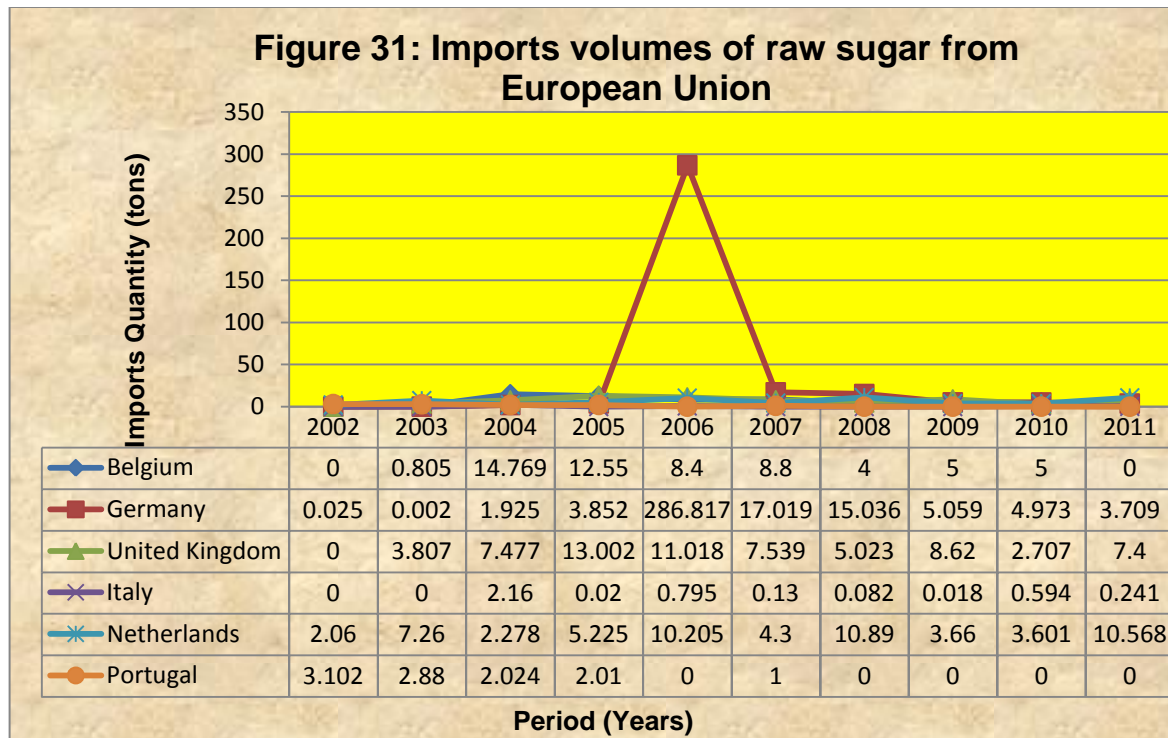
Figure 29 illustrates imports volumes of raw sugar from Asia into South Africa between 2002 and 2011 period. The graph further illustrates that during the period under review, raw sugar imports from Asia were originated mainly in South-central Asia, followed by South-eastern Asia and Eastern Asia. The figure also illustrates that imports volumes of raw sugar from South-central Asia into South Africa attained a peak in 2007 at approximately 5 333.93 tons, while imports volumes of raw sugar from South-eastern Asia into South Africa attained a peak in 2011 at approximately 2000.63 tons. The graph further illustrates that imports volumes of raw sugar from Eastern Asia into South Africa attained a peak also in 2009 at approximately 1 130.95 tons. The figure also illustrates that Western Asia had very minimal volumes of raw sugar into South Africa during the period under examination. In 2011, there was a 1.8% increase in imports of raw sugar from South-central Asia into South Africa as compared to 2010.



Source: Quantec

Figure 30 indicates imports volumes of raw sugar from Europe into South Africa between 2002 and 2011 period. The graph further indicates that Western Europe Rest was the main supplier of raw sugar imports from the Europe into South Africa during the period under review. The graph also indicates that imports of raw sugar from Western Europe started to increase in 2006 and during the same period attained a peak at approximately 6 500 tons. The graph further indicates that imports of raw sugar from European Union were below 400 tons per year during the period under scrutiny.

There was a 200% increase in imports of raw sugar from Western Europe Rest into South Africa in 2011 as compared to 2010.



Source: Quantec

Figure 31 shows imports volumes of raw sugar from the European Union into South Africa between 2002 and 2011 period. The graph further shows that Germany was the main supplier of raw sugar imports from the European Union into South Africa over the past ten years. The graph also shows that imports of raw sugar from Germany started to increase in 2004 and 2005, until a peak was attained in 2006 at approximately 286.82 tons. The graph further shows that imports of raw sugar from other European countries were below 50 tons per annum during the period under scrutiny.

In 2011, there was a 25.4% decline in imports of raw sugar from Germany into South Africa as compared to 2010.

## 5. PROCESSING AND MILLING

Sugarcane is milled in 14 sugar mills situated in Kwazulu-Natal and Mpumalanga. There are six sugar milling companies in South Africa, namely:

**Illovo Sugar Ltd** – operates five sugar mills in South Africa, two of which have refineries and three with packaging plants. It has four cane growing estates and produces a variety of downstream products.

**Tongaat-Hullet Sugar Ltd** – operates four sugar mills, two packaging plants, a central refinery in Durban, various sugar estates and an animal feeds operation.

**Transvaal Sugar Ltd** – operates two sugar mills, a refinery and a packaging plant, sugar estates, cane and sugar transport enterprises, and an animal feeds division.

**The UCL Company Ltd** – previously known as Union Co-operative Ltd has recently converted to a company. The company also operates a wattle extract factory, a maize mill, a saw mill, a payroll division and a trading division.

**Umvoti Transport (Pty) Ltd** – a black empowerment grouping, owns the Umfolozi mill, located in the Umfolozi region on the North-Coast of Kwazulu-Natal. The operation consists of a sugar mill only.

**Gledhow Sugar Company** – a black empowerment grouping owns the Gledhow Mill, located on the North Coast of Kwazulu-Natal. The operation comprises a sugar mill, refinery, packaging plant and a sugar estate.

Harvested sugarcane is transported to the sugar mills where it is washed and placed in machines that chop it up. The chopped fiber is mixed with water and pressed to produce *cane juice*. The fibrous mass left after pressing is known as *bagasse*, and is used as animal feed, to make paper or as fuel to generate energy.

After further heating and filtration, the juice goes to the evaporator and vacuum pan where much of the remaining water is removed, leaving *syrup* behind. The mixture is put in a centrifuge, leaving the crystals behind. *Molasses*, a thick, dark fluid rich in vitamins and minerals, is used as cattle feed and to make brewer's yeast and alcoholic drinks such as cane spirits.

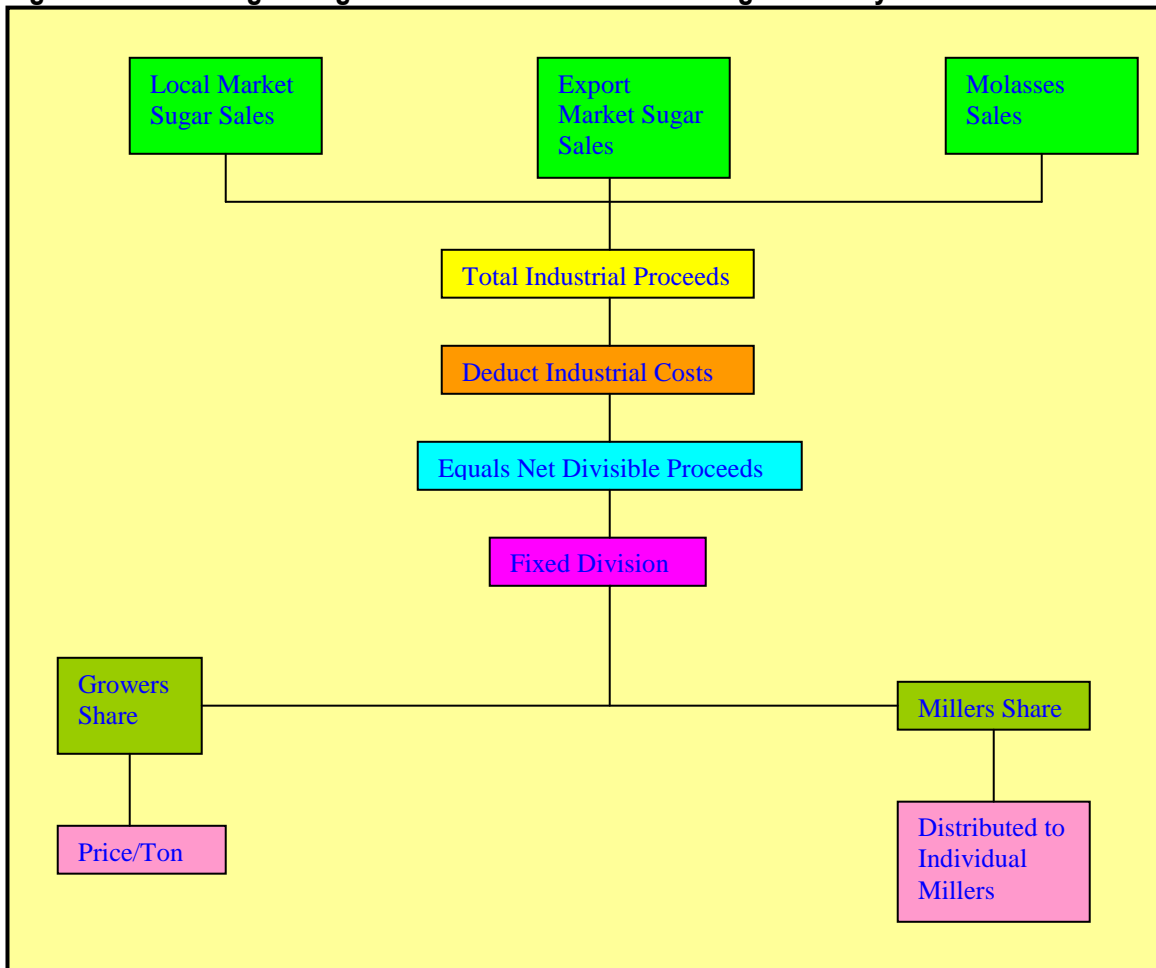
The raw sugar crystals will still have some molasses stuck to them and are sent to the refinery for further processing. The molasses are removed by soaking the raw sugar in a solution so saturated with sugar that none of the raw sugar crystals can dissolve. The crystals are then dissolved in water and the solution is filtered to remove impurities.

The *syrup* then has all the remaining color removed from it in a bed of activated charcoal. After this complex process the sugar is crystallized again and the crystals are placed in a machine that tumbles them until pure *white sugar* is obtained

## 5.1 Marketing Arrangements

The Division of Proceeds formula is the formula through which revenue that accrues to the sugar industry is allocated to the millers and growers as part of the partnership arrangement.

**Figure 34: Marketing arrangements in the South African sugar industry**



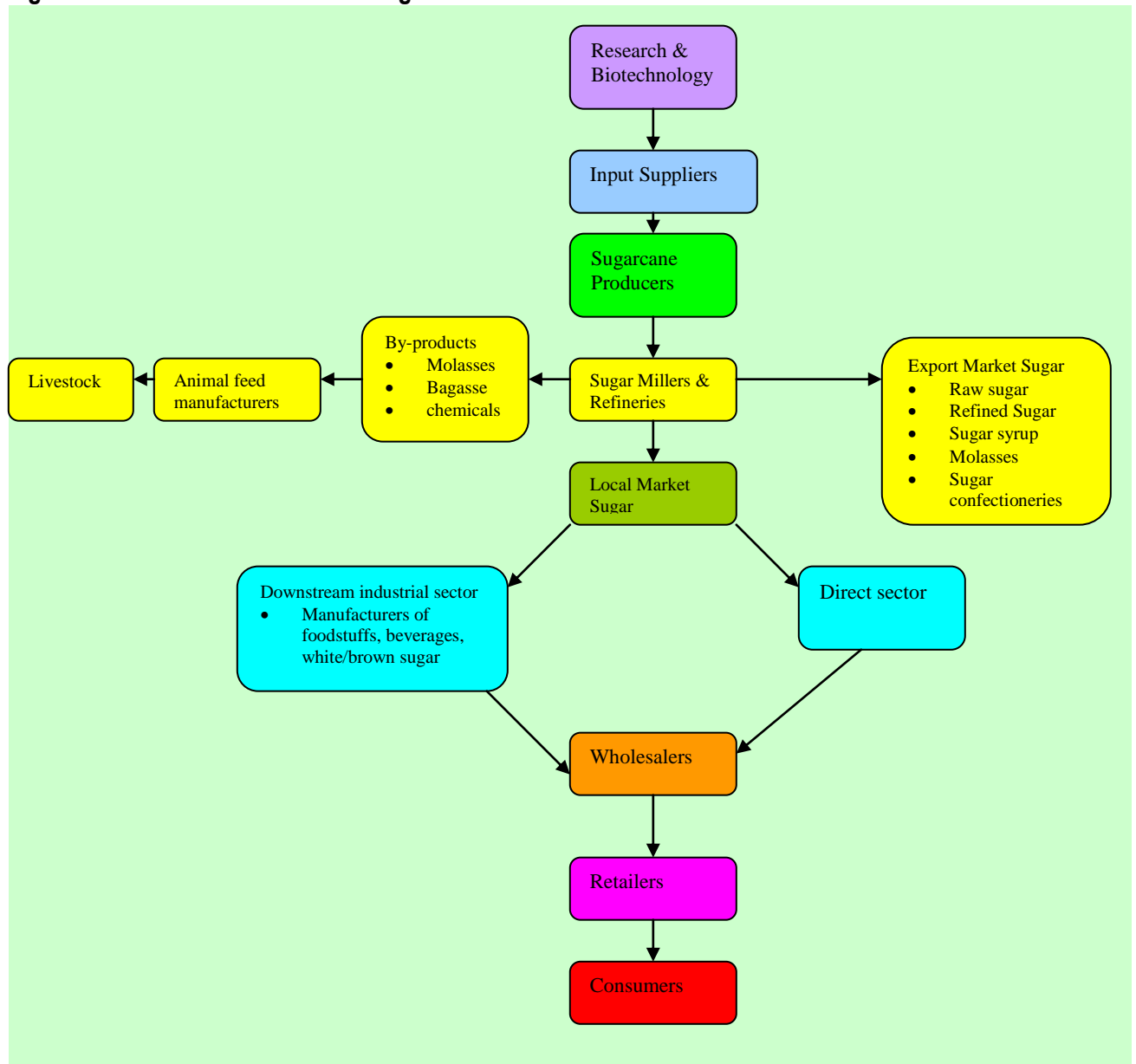
Source: South African Sugar Association

Industrial costs are the costs of administering the Sugar Association that include all the specialist services provided by SASA including agricultural research, sugar exports and more. Industrial costs are a first charge against the total notional industrial proceeds to determine the net divisible proceeds which are then split based on a fixed percentage between millers and growers. Total deliveries to mills during a season are then divided into the growers' share which then establishes the price per ton for the growers' deliveries.

## 6. MARKET VALUE CHAIN

Figure 35 presents the market value chain for sugar in South Africa.

Figure 35: Market value chain for Sugar



Source: Adapted from Food Price Monitoring Committee Report

## 7. MARKET ACCESS

### 7.1 Tariffs

Table 12: shows the various tariffs that are applied by various countries to the exports of raw sugar originating from the Republic of South Africa in 2011.

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF
Angola	Raw cane sugar not containing added flavoring or coloring matter whose content of sucrose by weight, in the dry state, corresponds to a polarimetric reading of less than 98.5 degree, centrifugal	MFN duties (Applied)	2.00%	2.00%
Mozambique	Raw cane sugar not containing added flavoring or coloring matter whose content of sucrose by weight, in the dry state, corresponds to a polarimetric reading of less than 98.5 degree, centrifugal	MFN duties (Applied)	7.50%	7.50%
Mauritius	Cane or beet sugar and chemically pure sucrose excluding, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	Raw cane sugar (excluding added flavoring or coloring)	MFN duties (Applied)	20.00%	20.00%
United States of America	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to gen. note 15 of the HTS	MFN duties (Applied)	0.00%	0.00%
	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to gen. note 15 of the HTS	General tariff for GSP countries	0.00%	0.00%
Canada	Raw cane sugar, in solid form, not containing added flavouring or colouring matter, obtained without centrifugation	MFN duties (Applied)	0.00%	0.00%
Hong Kong	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar	MFN duties (applied)	0.00%	0.00%

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF
	not containing added flavouring or colouring			
China	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring	MFN duties (applied)	50.00%	OTQR: 50.00% ITQR: 50.00%

Source: ITC Market Access Map

Table 12 confirms various tariffs that are applied by various countries to the exports of raw sugar originating from the Republic of South Africa in 2011. The table further confirms that the international sugar trading regime is generally very unfair and the playing field is not level. Most of the countries' sugar markets are highly protected by very high tariffs that restrict the entry of sugar imports. The China sugar market is the most highly protected market with extremely high tariffs charged 50% for South African sugar imports over the period under scrutiny.. Canada has no tariffs for the import of raw sugar for use by refineries in the production of refined sugar that is to be used in the production of wine but generally their sugar market is protected. Japan is the only country that decided to reduce duties that they charge for raw sugar imports originating from South Africa. In 2008 Japan applied a tariff of \$335.84/ton and this tariff still applied in 2009 and 2010. The table further confirms that Zimbabwe applies a tariff of 20% to South African sugar imports during the period 2011.

**Table 13: shows the existing tariff position applied by South Africa to the imports of raw sugar originating from various regions in 2011.**

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT
Malawi	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring	MFN duties (Applied)	0.00%	0.00%
Zambia	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	Raw cane sugar (excluding added flavoring or coloring)	MFN duties (Applied)	0.00%	0.00%
Brazil	Raw cane sugar (excluding added	MFN duties (Applied)	0.00%	0.00%

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT
	flavoring or coloring)			
Germany	Raw cane sugar (excluding added flavoring or coloring)	MFN duties (Applied)	0.00%	0.00%
Mauritius	Raw cane sugar (excluding added flavoring or coloring)	MFN duties (applied)	0.00%	0.00%
Mozambique	Raw cane sugar (excluding added flavoring or coloring)	MFN duties (applied)	0.00%	0.00%

Source: ITC Market Access Map

Table 13 demonstrates the existing tariff position applied by South Africa to the imports of raw sugar originating from various regions of the world in 2011 period. The table further demonstrates that the international sugar trading regime is generally very unfair and the playing field is not level. The table also demonstrates that South African sugar market is not protected as the country has no tariffs for the import of raw sugar. Tariffs for certain classes of raw sugar from Switzerland have been reduced marginally while others have increased marginally in 2009 and 2010 marketing seasons.

Tariff Headings	TARIFF SUB-HEADING	DESCRIPTION	STATISTICAL UNIT	RATE OF DUTY		
				General	EU	SADC
1701	170111	Raw Sugar Cane in solid form	Kg	38.1c/kg	38.1c/kg	38.1c/kg
	170191	Refined Sugar Cane	Kg	38.1c/kg	38.1c/kg	38.1c/kg
	170111200	Sugar Beet	Kg	38.1c/kg	38.1c/kg	38.1c/kg
	170211	Sugar Syrup	Kg	38.1c/kg	38.1c/kg	38.1c/kg
	170400	Sugar Confectionary	Kg	38.1c/kg	38.1c/kg	38.1c/kg
	170390	Sugar Molasses	Kg	18.1c/kg	38.1c/kg	38.1c/kg

Note: The tariff is based on the Dollar based reference price of US\$330

The South African Sugar Association with the support of the Swaziland Sugar Association has requested an increase in the current tariff position from 38.1c/kg to 50.1c/kg through ITAC; which will result in an adjustment in the level of the Dollar based reference price from US\$330 to US\$400.

## 8. MARKET INTELLIGENCE

Table 14: List of importing markets for raw sugar, cane exported by South Africa in 2011

Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (% , p.a.)	Exported growth in quantity between 2007-2011 (% , p.a.)	Exported growth in value between 2010-2011 (% , p.a.)	
World	96473	100	126747	761	0	-22	-17	
Angola	26380	27.3	24229	1089	84	754	110	2
Japan	19152	19.9	30000	638	41	0	-47	19.5
Mozambique	14800	15.3	25541	579	-30	-39	2	7.5
United States of America	11153	11.6	14565	766			938	20.4
Zimbabwe	10822	11.2	12723	851	288	311	-59	20
Madagascar	6805	7.1	9372	726	52	21	37	2.5
DRC	3176	3.3	4787	663	32	-35	215	20
Sudan	1907	2	2317	823			-41	21.5
Israel	868	0.9	1258	690		1	127	0
Kenya	712	0.7	1036	687	221	230	-85	67.5
Comoros	568	0.6	761	746		209	271	0
United Arab Emirates	34	0	80	425				0
Saint Helena	28	0	18	1556	9	-18	-22	0
Zambia	22	0	6	3667	31	62	98	5
Mayotte	20	0	25	800	3	-11	-76	0
Ghana	14	0	18	778	52	106	367	10

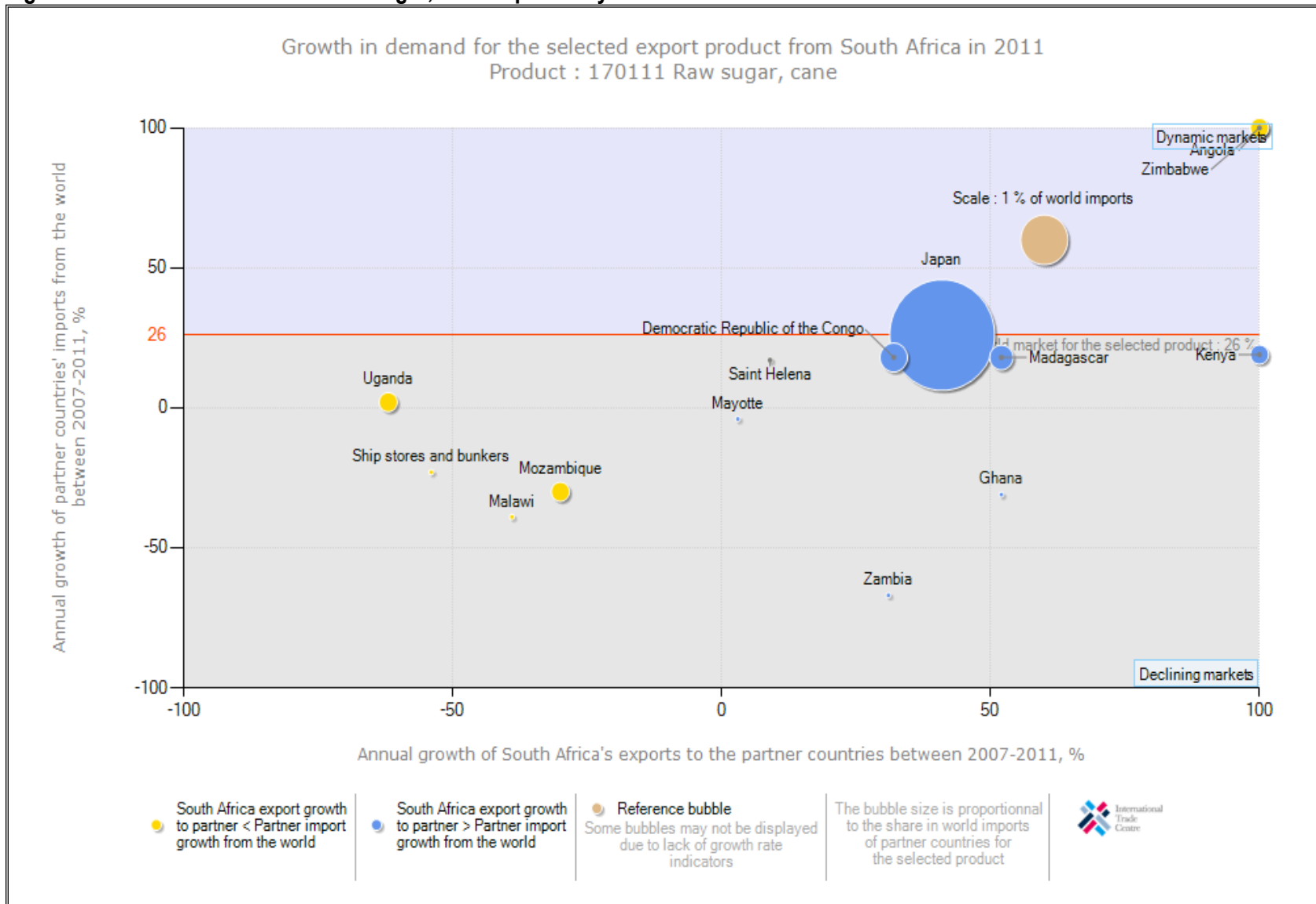
Source: ITC Trade Map

Table 14 illustrates the list of importing markets for raw sugar, cane exported by South Africa to the world in 2011. As shown in the table South Africa exported a total of 126747 tons of raw sugar, cane to the world market. The greatest volumes were exported to Japan, Mozambique, Angola and United States of America, accounting for 19.9%, 15.3%, 27.3% and 11.6% share respectively in South Africa's sugar exports in 2011. The table further illustrates that Japan was the leading importer of raw sugar, cane South Africa with 30 000 tons of raw sugar, while Mozambique was the second importer at 25 541 tons of raw sugar. Japan and Mozambique's imports worldwide experienced a growth in value respectively of 41%, while Mozambique's imports worldwide experienced a negative growth in value of 31% per annum over the period from 2007 to 2011, and the growth of the world market over the same period was 0% per annum.

On the same note, Japan's imports from South Africa experienced no growth in quantity of 0% and Mozambique's imports from South Africa experienced a negative growth of 39% per annum over the period from 2007 to 2011, and the growth of the world market over the same period was -22% per annum over the same period.

The table also illustrates that Japan's exported growth in value and quantity between 2007 and 2011 period was more than the exported growth in value and quantity to the world during the same period.

**Figure 36: Growth in demand for raw sugar, cane exported by South Africa in 2011**



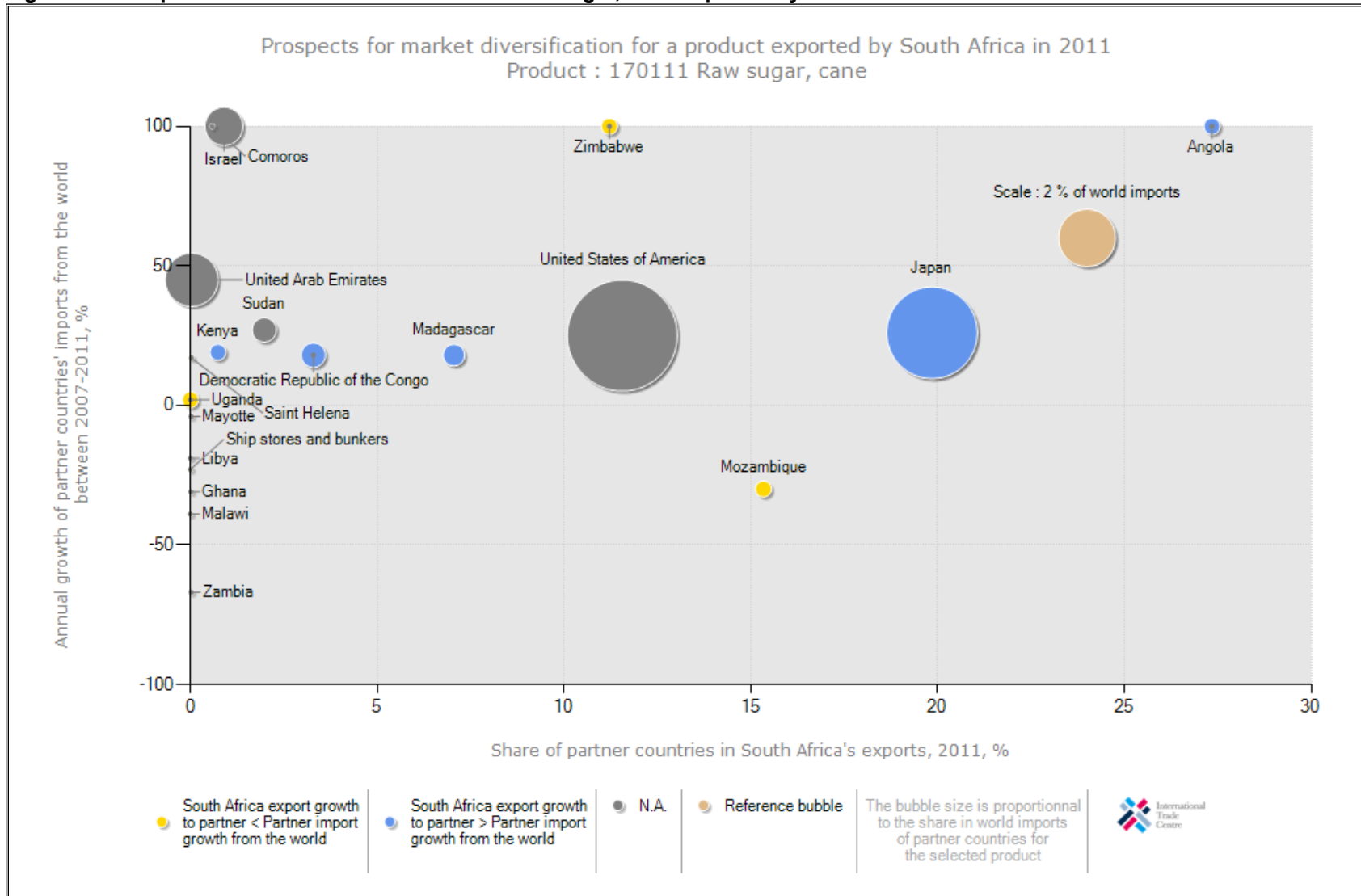
Source: ITC Trade Map

Figure 36 shows growth in demand for raw sugar, cane exported by South Africa to the world in 2011. The graph further shows that Japan was the biggest market of raw sugar, cane exported by South Africa in 2011. South Africa's sugar exports to Japan were growing at a rate that is greater than their imports to the rest of the world between 2007 and 2011 period.

By adding a horizontal line representing the world market growth and a vertical line representing the average growth of South Africa's export for this product, the following conclusions can be drawn:

- South Africa's exports of sugar to Angola and Zimbabwe were growing faster but at the same rate between world's exports at approximately 100% respectively between 2007 and 2011 period; South Africa's exports of sugar to both markets were also increasing at 100% in the dynamic markets.
- South Africa's exports of sugar to Kenya, Madagascar and Ghana were growing faster than world's exports at approximately 100%, 52% and 52% respectively between 2007 and 2011 period, but South Africa's exports of sugar to both markets were declining (declining markets).

**Figure 37: Prospects for market diversification for raw sugar, cane exported by South Africa in 2011**



Source: ITC Trade Map

Figure 37 indicates prospects for market diversification for raw sugar, cane exported by South Africa to the world in 2011. The bubble graph further indicates that in world terms Japan was the biggest market of raw sugar, cane from South Africa to the world in 2011. The graph also indicates that if South Africa has to diversify its markets of raw sugar, cane, small and attractive markets exist in Zimbabwe and Angola. Other small markets exist in Comoros, Israel and Kenya.

Japan remains as a traditional market for South Africa's raw sugar, cane in 2011, because of the size of the bubble graph indicates that they are the main world's importers with over 30 000 tons of raw sugar with a world market share of 19.9% between 2007 and 2011 period.

In addition, the chart also indicates that countries like Angola and Mozambique have experienced a positive and higher share of South Africa's exports of raw sugar at approximately between 15% and 27% between 2007 and 2011 period. It is also important to note that growth by these countries have been off a low base, but they represents possible markets for South Africa's raw sugar during the 2011 marketing season.

**Table 15: List of supplying markets for raw sugar, cane imported by South Africa in 2011**

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2011 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011 (tons)	Unit value (USD/unit)	Imported growth in value between 2007-2011 (% p.a.)	Imported growth in quantity between 2007-2011 (% p.a.)	Imported growth in value between 2010-2011 (% p.a.)	
World	53342	100	78601	679	7	-9	100	
Brazil	50488	94.6	73911	683	2	-13	375	0
Zambia	618	1.2	1443	428	-18	24		0
Pakistan	258	0.5	360	717				0
Switzerland	204	0.4	261	782				0
China	158	0.3	273	579		146	2533	0
India	156	0.3	263	593	-56	-67	129	0
United States of America	92	0.2	20	4600	55	21	384	0
Mauritius	40	0.1	45	889				0
United Kingdom	23	0	7	3286	5	-7	188	0
Germany	11	0	4	2750	-32	-33	-27	0
Netherlands	5	0	11	455	8	11	150	0
Hong Kong, China	2	0	1	2000		-43		0

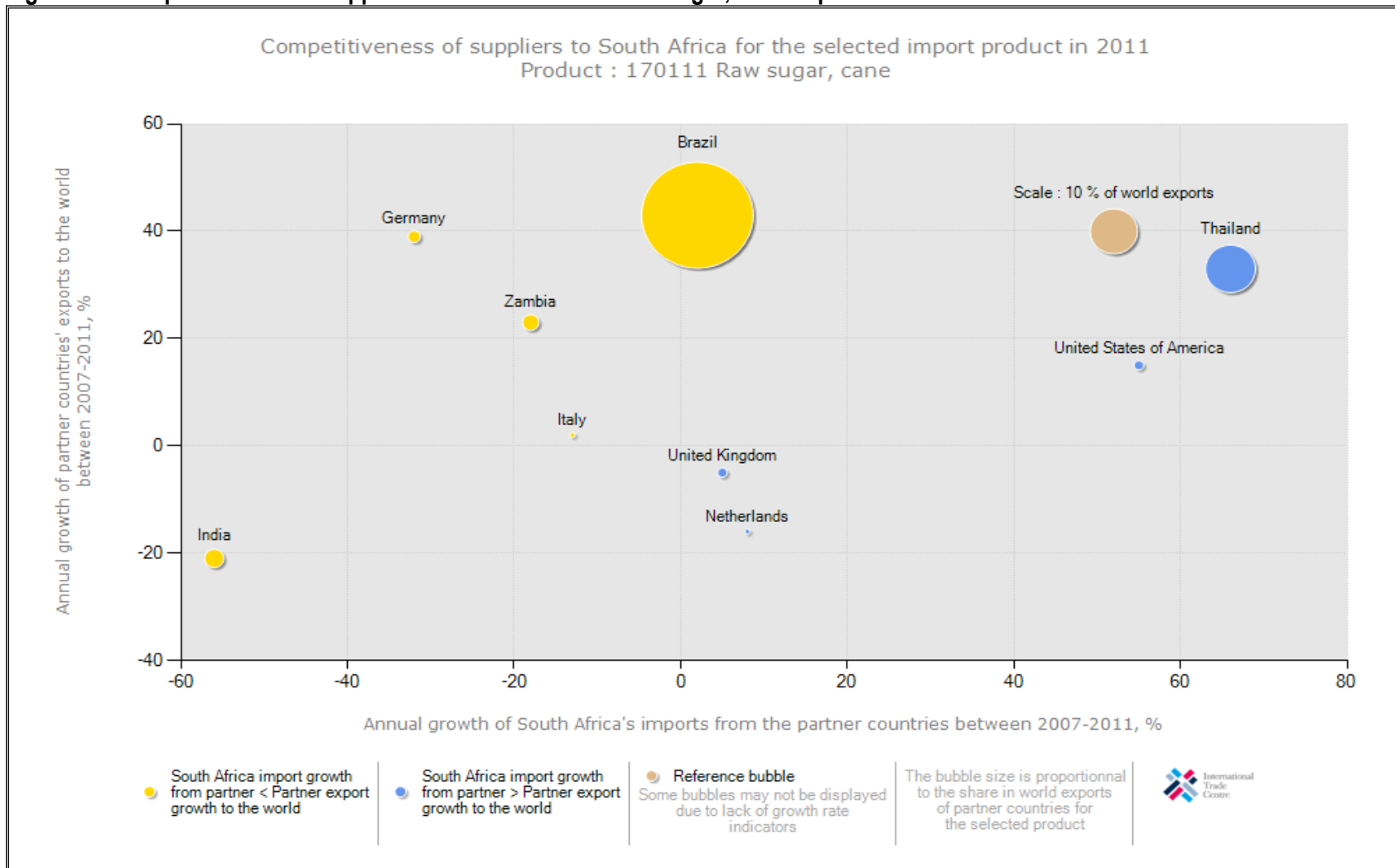
Source: ITC Trade Map

Table 15 depicts the list of supplying markets for raw sugar, cane imported by South Africa from various regions in 2011. As shown in the table South Africa imported a total of 78601 tons of raw sugar, cane from the world market. The greatest volumes were imported from Brazil, followed by small quantities from Zambia and Pakistan, accounting for 94.6% share, 1.2% and 0.5% respectively of South Africa's sugar imports in 2011. The table further depicts that Brazil was the main exporter of raw sugar, cane to South Africa in 2011. Brazil's sugar exports to South Africa experienced a growth in value of 2% per annum over the period between 2007 and 2011, and the growth of the world market over the same period was 7% per annum.

On the same note, Brazil's exports to South Africa experienced a negative growth in quantity of -13% per annum over the period from 2007 to 2011, and the growth of South African sugar imports over the same period was 375% per annum.

The table also depicts that Brazil's imported growth in quantity between 2007 and 2011 period was more than the exported growth quantity to the world during the same period. Brazil's imported growth in value between 2007 and 2011 period was less than the imported growth in value to the world.

**Figure 38: Competitiveness of suppliers to South Africa for raw sugar, cane import in 2011**



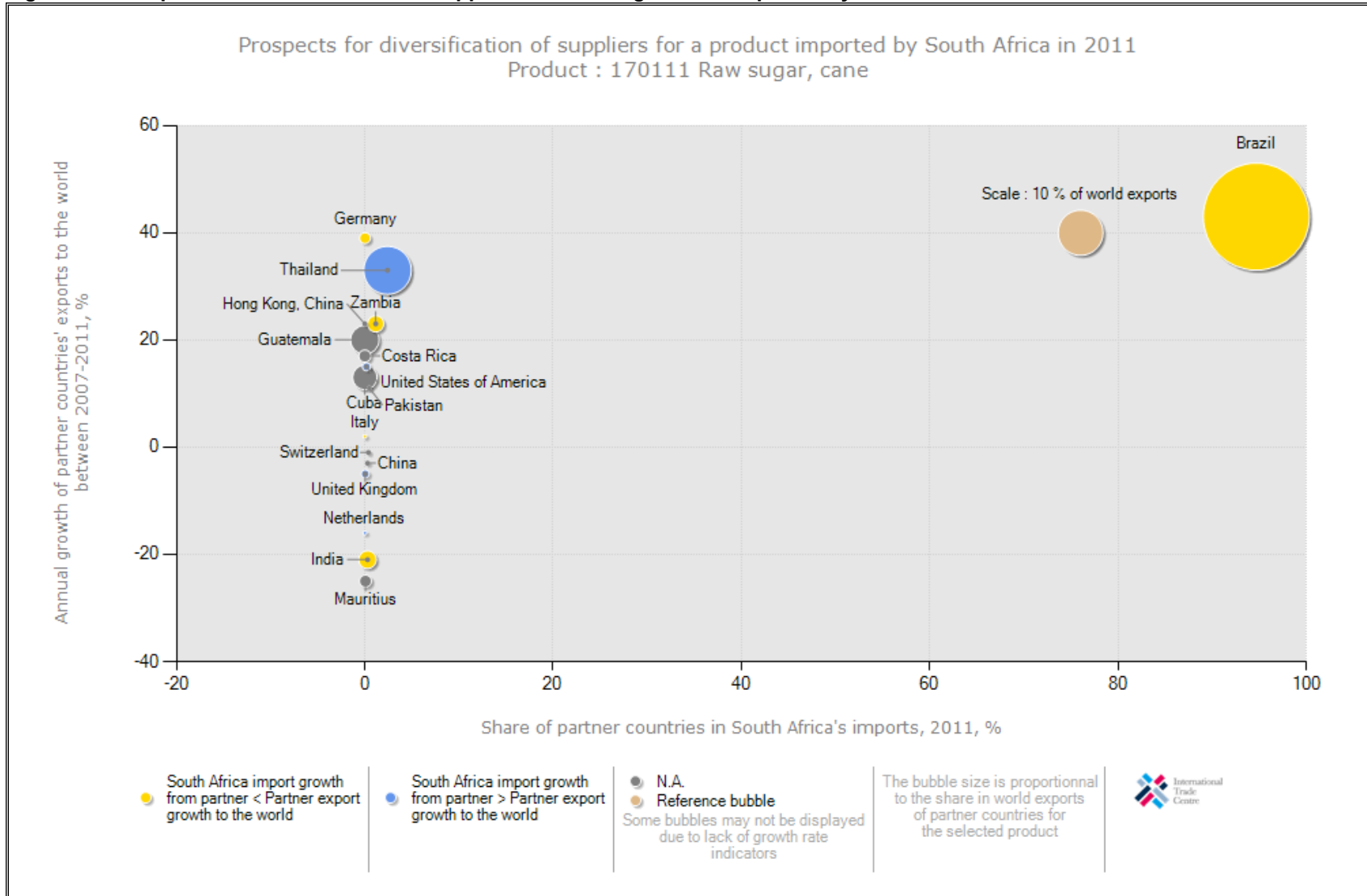
Source: ITC Trade Map

Figure 38 confirms competitiveness of suppliers to South Africa for raw sugar, cane imports from the world in 2011. The bubble graph further confirms that between 2007 and 2011, South Africa's raw sugar, cane imported from Brazil was growing at a rate that is less than their import growth from the world. During the same period, South Africa's raw sugar, cane imports from Germany, Zambia and Italy were growing at a rate that is less than their imports from the rest of the world.

By adding a horizontal line representing the world market growth and a vertical line representing the average growth of South Africa's imports of this product, the following conclusions can be drawn:

- South Africa's imports for raw sugar, cane from Thailand and United States of America were growing faster than world's imports,
- South Africa's imports for raw sugar, cane from Netherlands and United Kingdom were growing at a faster pace than the world's imports,
- South Africa's imports for raw sugar, cane from India was growing at a slower pace than the world's imports,

**Figure 39: Prospects for diversification of suppliers for raw sugar, cane imported by South Africa in 2011**



Source: ITC Trade Map

Figure 39 of the bubble graph shows prospects for diversification of suppliers for raw sugar cane imported by South Africa from the world in 2011. The graph further shows that in world terms the biggest supplier of raw sugar, cane was Brazil. The graph also shows that if South Africa wants to diversify its suppliers of raw sugar, cane, small and attractive markets exist in Thailand, Germany Zambia. During 2011, Brazil exported more of raw sugar, cane to South Africa than to the rest of the world in 2011 of approximately 73 911 tons as compare to the world at 78 601 tons.

However, the chart also shows that Brazil experienced a greater share in South Africa's imports of raw sugar, cane at approximately 94.6% in 2011.

Germany, Thailand and Zambian markets to South Africa were growing less than that of the world during the period under examination.

## **9. ORGANIZATIONAL ANALYSIS**

### **9.1 EMPOWERMENT AND TRANSFORMATION**

With the growth of economic development and empowerment of previously disadvantaged people, a growing number of medium scale farmers are continuing to enter sugarcane agriculture on farms made available at market related prices by the major milling companies.

A *New Freehold Grower (NFG) programme*, which evolved through the Ithala Development Finance Corporation Limited and sugar millers Illovo Sugar Limited and Tongaat-Hulett Group opened doors to previously disadvantaged individuals owning and operating their own commercial sugar farms. The scheme provided for co-coordinated re-distribution of farmland within the sugar industry and assists in balancing the demographics of suppliers of cane to sugar mills. Currently the scheme supports a total of 120 medium scale sugar farmers, 68 as a result of Illovo Sugar Limited interventions and 52 through the Tongaat-Hulett Group's actions.

*Inkezo*, a land reform company formed in 2004 as an initiative developed by growers and millers in the South African sugar industry. The primary objective is to effect the transfer of 80 000ha of land in the sugar industry over and above the 31 000ha of freehold land already established under black ownership.

*The Small Grower Development Trust (SGDT)* was established in 1992 to provide a facility focusing on the procurement and administration of funds, facilitating and funding the training requirements of small scale growers. The mandate and objectives of the SGDT are to provide assistance to small scale growers in terms of sugar cane development, improvement and expansion of cane growing enterprises.

*Umthombo Agricultural Finance (UAF)*, an internal financial assistance facility provides funding to developing farmers located in Tribal Authority areas and other developing farmers who are not able to access finance from the Land Bank or the commercial banking sector. UAF has a loan book of R250 million and has made over 45 000 loans to developing farmers since its inception.

### **9.2 BUSINESS OPPORTUNITIES AND CHALLENGES**

Domestic sugar prices in the South African Customs Union remain substantially below those of the developed nations.

The sugar industry in South Africa is facing the following challenges at present:

- The fall in the level of the current tariff protection against sugar imports that has culminated in a surge in imports of sugar into SACU;
- The lack of preferential market access for South African sugar exports: South Africa is currently the only developing country excluded from preferential access to the markets of the European Union and this impacts on the relative competitiveness of the industry;
- South Africa's share in the SACU sugar market is increasingly replaced by sugar imported from other SADC countries on duty free quotas provided for in the SADC Trade Protocol as well as Swaziland preferential access and this is impacting on total industry returns;
- The slow pace of the land claims process is injecting a great deal of uncertainty into investment decisions in both sugarcane and sugar production, leading to declining yields, capacity utilization and investment in productive capacity;
- Increase in imports of value-added sugar/dairy containing products such as confectionery. In the case of sugar, sugar-based products are receiving extensive support and subsidies in all developed sugar-producing countries. Dumping of these products on the South African market is obstructing the establishment of downstream sugar-based products;
- The intention of the National Ports Authority to increase the rental for all the industry leases at Durban port, from a lower base to an exorbitantly high rental will have a negative impact on the industry's global competitiveness.

## 10. SUGAR MILLERS IN SOUTH AFRICA

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4022

#### **Contact Person: PD McKerchar**

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**Tongaat-Hullet Sugar Refinery**

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PO Box 1501  
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**UCL Company Limited**

**Dalton Mill**

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Fax : (033) 501 1187

**Gledhow Sugar Company**

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**Contact Person: Kay Naude**

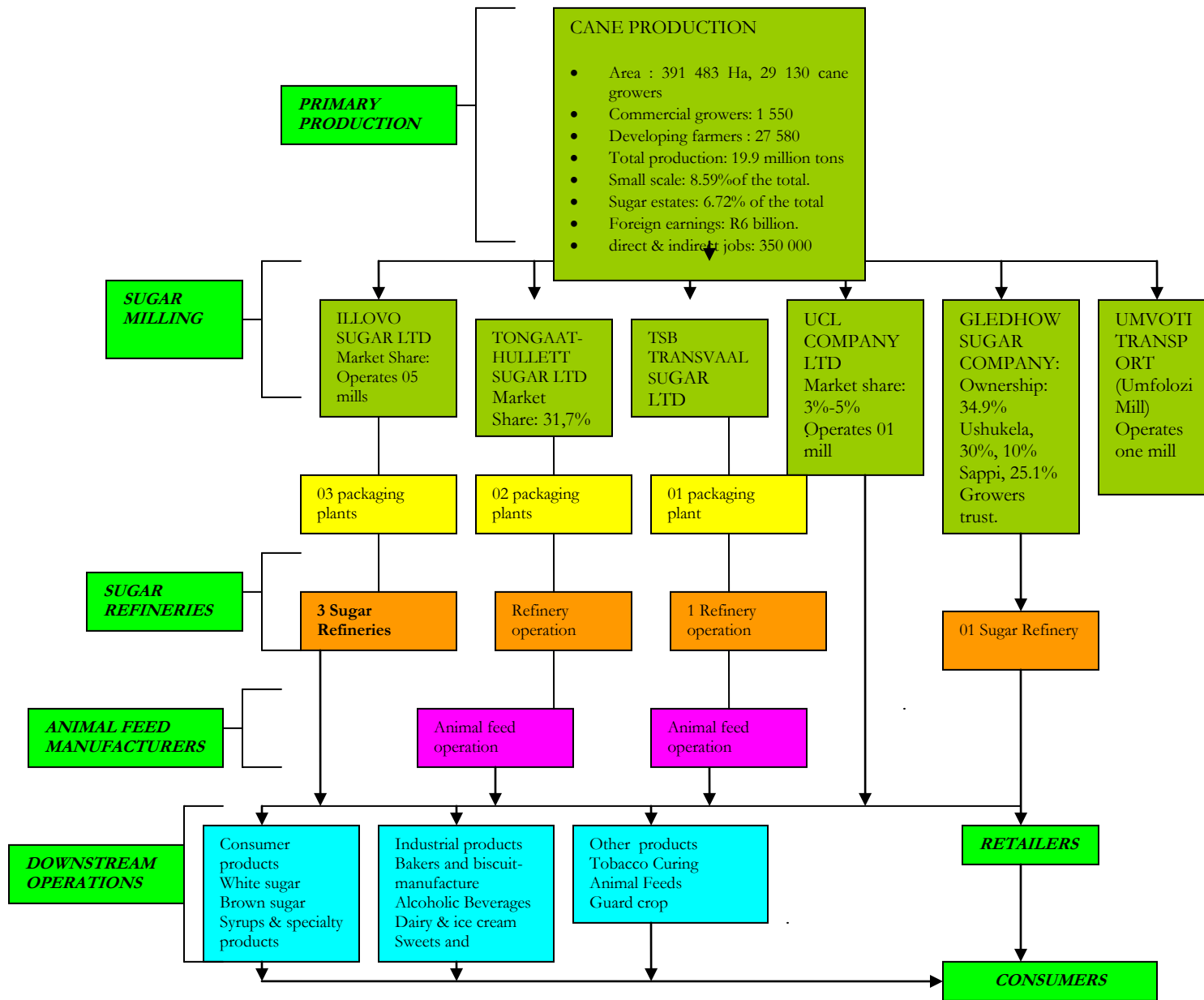
Tel: (032) 437 4400  
Fax: (032) 552 5678

**Transvaal Sugar Limited (TSB)**

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Malelane  
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**Contact Person: IG van der Walt**

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Fax: (013) 790 0769



**Notes:**

- Sugar Milling Companies also own sugar estates that produce approximately 12% of the total crop.
- Union Co-op Ltd also owns a Maize Mill and a Saw-mill.
- Three giant companies in this industry are Illovo, Tongaat-Hulett, and TSB.
- TSB owns five refineries that are known as white end mills, they produce their own refined sugar.
- Raw sugar produced at remaining mills is routed to Durban where it is refined at central refinery mills.
- In order to enter the industry, a potential grower must first come to an agreement with a miller to mill their cane.
- Molatec and Voermol are two animal feeds operations that use by-products from cane.
- Ordering of raw cane led by Coca-cola has greater influence on changing of prices.

**KEY: Abbreviations.**

SACGA = South African Cane Growers Association  
TSB = Transvaal Suiker Beperk / Transvaal Sugar Limited  
SASA = South African Sugar Association  
SAMA = South African Millers Association

## 11.ACKNOWLEDGEMENTS

Acknowledgement is hereby given to the following organizations:

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### **South African Cane Growers Association (SACGA)**

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**ITC Market Access Map**

Website: <http://www.macmap.org/South Africa>

**ITC Trade Map**

Website: <http://www.trademap.org>

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