

# A PROFILE OF THE SOUTH AFRICAN SUGAR MARKET VALUE CHAIN

2017



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## 1. DESCRIPTION OF THE INDUSTRY

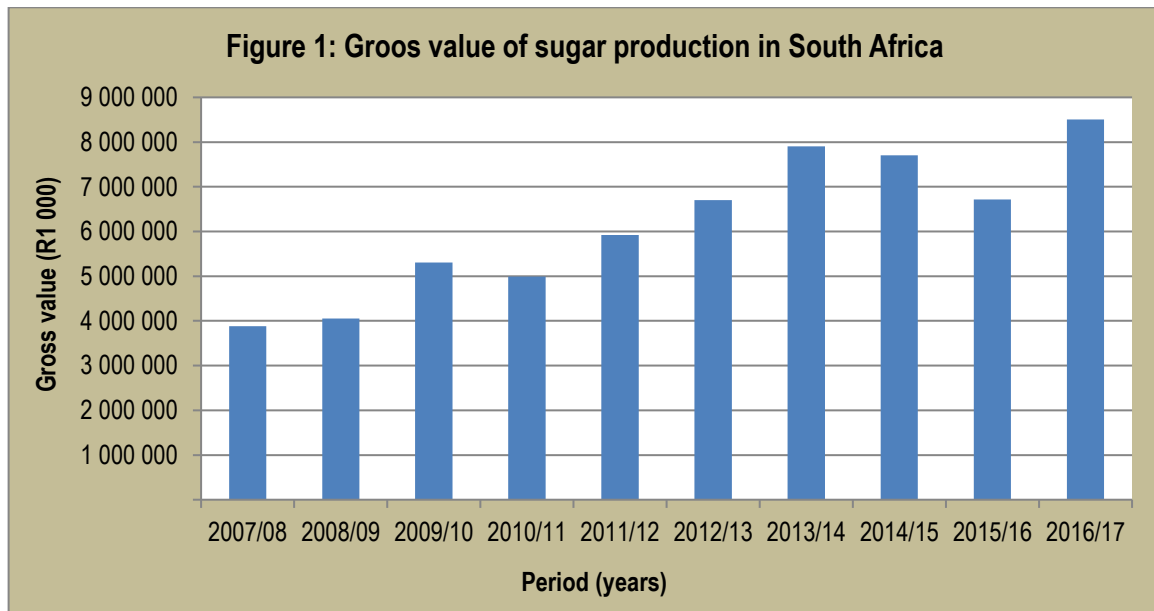
The South African sugar industry makes an important contribution to the national economy of South Africa, given its agricultural and industrial investments, foreign exchange earnings, its high employment and linkages with major suppliers, support industries and customers. It is a diverse industry combining 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 75% of this sugar is marketed in the Southern African Customs Union (SACU) region and the remainder is exported to markets in Africa, Asia and United States of America. 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 over R12 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 R7.7 billion, which is more than 15% of the total gross value of annual field crop production. The industry generates approximately R2.5 billion from export earnings per annum. 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.
- Based on revenue generated through sugar sales in the SACU region as well as world market exports, the South African sugar industry generates an annual estimated average direct income of over R12 billion. This constitutes R 5.1 billion in value of sugar cane production.
- 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 below over a ten year period.

Figure 1 below indicates gross value of sugar production in South Africa between 2007/08 and 2016/17.



Source: Statistics & Economic Analysis, DAFF

The gross value of sugar production showed an increasing trend over the period under review and this can be generally attributed 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 2009/10 to 2014/15 and this was due to a consistent increase in sugar cane producer prices during the aforementioned period. 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. During 2011/12 marketing season, the contribution of sugar to the gross value of sugar production consistently increased to about R5.9 billion until a peak was attained in 2016/17 at approximately R8.5 billion. A slight decline in the contribution of sugar to the gross value of production during 2014/15 was recorded at R7.7 billion and can be attributed to a decline in rainfall across the major sugar producing regions. There was an increase in the gross value of sugar in South Africa during 2016/17 of 26.6% as compared to 2015/16 marketing year.

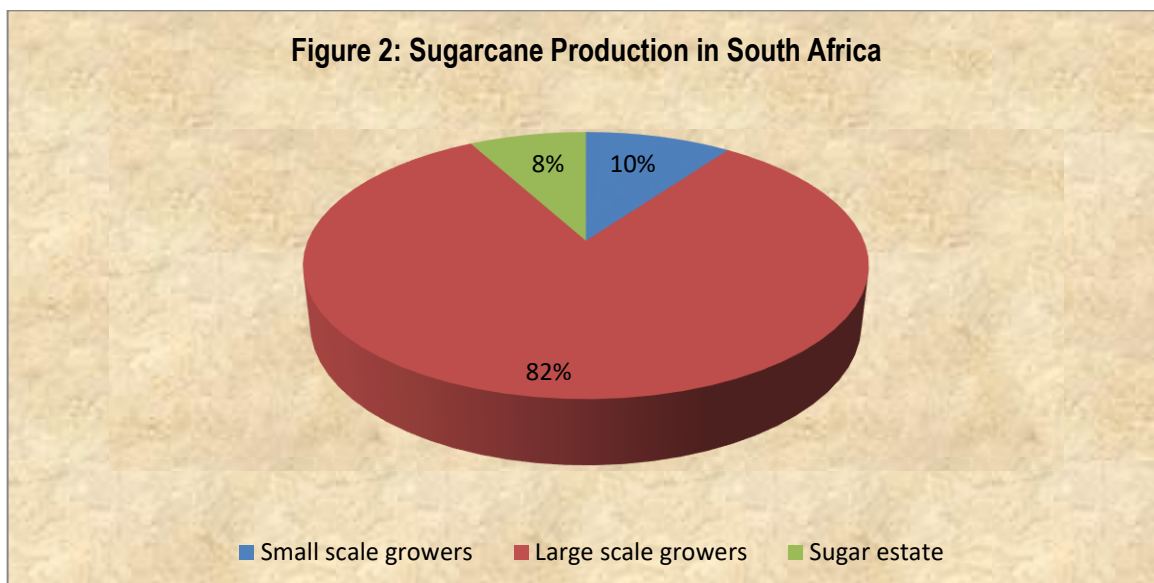
### 1.1 Production Areas

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 362 100 ha currently under sugarcane production, 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 15 million tons of sugarcane have been produced and crushed during 2016/17 season from 14 mill supply areas, extending from Northern Pondoland in the Eastern Cape to the Mpumalanga Lowveld. Of the 21 889 registered sugarcane growers, 20 562 are small-scale growers mainly on tribal land of whom 12 994 delivered cane for crushing in 2014/15, accounting for 10.3% 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. In total there are 1 327 large-scale growers (inclusive of the more than 323 new black commercial growers) who produce 81.53% of total sugarcane production. Milling companies with their own sugar estates produce 8.2% of the crop. The percentage of these millers-cum planter estates has decreased in recent years and is likely to continue doing so as the companies promote black farming development.

Figure 2 shows sugar cane production in South Africa during 2016. Large scale sugarcane growers in South Africa have contributed 82% of the crop, small scale sugarcane growers have contributed 10% and sugarcane estates have also contributed 8% during the period under review.



Source: South African Sugar Association (SASA)

Table 1 below depicts the total crop area under sugar cane in hectares between 2007/08 and 2016/17.

**Table 1: Total crop area under sugarcane (ha) between 2007/08 and 2016/17**

Period of Years	Hectares ('000)
2007/'08	412 979
2008/'09	413 566

Period of Years	Hectares ('000)
2009/'10	382 000
2010/'11	376 000
2011/'12	267 301
2012/'13	371 662
2013/'14	378 922
2014/'15	381 707
2015/'16	383 000
2016/'17	362 100

Source: South African Sugar Association (SASA)

The area under sugarcane production has decreased from 412 979 to 362 100 ha between 2007/08 and 2016/17 as indicated in Table 1 above. In 2009/10, there was a huge decline in terms of the hectares that were allocated to sugarcane growing (382 000 ha) to a level closer to the 2011/12 season which saw a further dramatic decline of about 267 301 hectares. In 2016/17 season, the total crop area under sugarcane has decreased by 5.5% as compared to 2015/16 season.

Table 2 below illustrates the area planted, cane production and sugar production in South Africa between 2007/08 and 2016/17 production season.

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

Year	2007/ 08	2008/ 09	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17
<b>Area Planted (1000ha)</b>	423	389	382	376	376	372	382	385	383	362
<b>Cane Production (1000 tons)</b>	19724	20986	20411	16016	16800	17278	20033	17756	14861	15070
<b>Production of sugar (1000 tons)</b>	2281	2269	2 187	1909	1825	1951	2344	2110	1621	1550

Source: Statistics & Economic Analysis and SASA

In 2007/08, the area planted to sugar cane was at 423 000 hectares, leading to the production of 19.7 million tons of sugar cane. Between 2009/10 and 2010/11, the area planted decreased marginally by 6 000 ha causing a decline in sugar cane production of about 4.3 million tons. On average there is a direct relationship between area planted to sugar cane, sugar cane production volumes and sugar production volumes. Between 2014/15 and 2016/17, an increase in area planted with sugarcane did not lead to increased sugarcane production mainly due to the drought that has affected the country during the same period. As reflected in Table 2 above, sugarcane and sugar production 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 2010/11 and 2011/12 has remained constant at 376 000 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 75% of this sugar is marketed in the SACU region. The remainder is exported to markets in Africa, Asia and the Middle East. There was a decline in sugar production between 2010/11 and 2011/12 production season from 1 909 tons to 1 825 tons. 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. In 2016/17, area planted of sugarcane in South Africa declined by 5.5% as compared to the previous season 2015/16.

### **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) and 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 who are 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.

Figure 3 shows domestic prices paid to growers between 2007/08 and 2016/17 marketing seasons. Prices paid to growers during the period under examination increased at an increasing rate until a peak was attained in 2016/17 season at approximately R564.39 per ton.



Source: Statistics & Economic Analysis, DAFF

Table 3 below illustrates the cane price at average recoverable values for the industry over a ten year period.

**Table 3: Prices paid to growers (2007/08 – 2016/17)**

Year	Recoverable Value (RV) Price	Cane Price (R/ton)
2007-2008	1701.90	208.82
2008-2009	2011.18	251.00
2009-2010	2284.20	284.15
2010-2011	2572.14	331.55
2011-2012	3017.51	352.38
2012-2013	3197.32	389.08
2013-2014	3137.87	392.05
2014-2015	3358.02	433.90



2015-2016	3979.22	475.89
2016-2017	4931.91	564.39

Source: South African Sugar Association and Statistics & Economic Analysis

Prices paid to growers of sugar on a recoverable value basis increased substantially between 2007/08 and 2016/17, while the cane price also followed the same trend during the same period.

The Recoverable Value (RV) payment system replaced the sucrose payment system during the 2003/04 season. 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 to 2014.

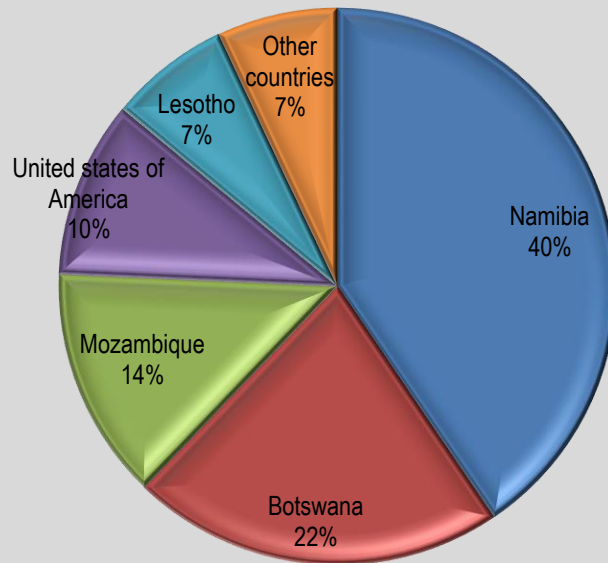
Between 2007/08 and 2016/17, the recoverable value increased from R1 701.90 to R4 931.91. The Between 2012/13 and 2013/2014, there was a consistent decline in recoverable value from R3197.32 to R3137.87. From 2014/15 to 2016/17, there was a consistent increase in recoverable value prices of approximately R3 358.02 per ton to R 4931.91 per ton.

### 3. EXPORT VOLUMES OF RAW SUGAR CANE

More than thirty seven percent (37%) of the 2.2 million tons of sugar produced in South Africa per season is marketed in the Southern African Development Community (SADC). SADC is made up of 14 African countries located in the southern part of Africa, including Zimbabwe, Zambia, Tanzania, Madagascar, Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa and Swaziland.

Figure 4 illustrates raw sugar cane exports from South Africa to different regions of the world during 2016. The pie chart illustrates that over the same period, most of South African sugar was exported to Namibia (40%), Botswana (22%), Mozambique (14%), United States of America (10%), Lesotho (7%) and other countries at 7%. The industry competes directly with Brazil, Thailand, Australia and Guatemala for raw sugar markets and with refineries in the EU (subsidized sugar exports).

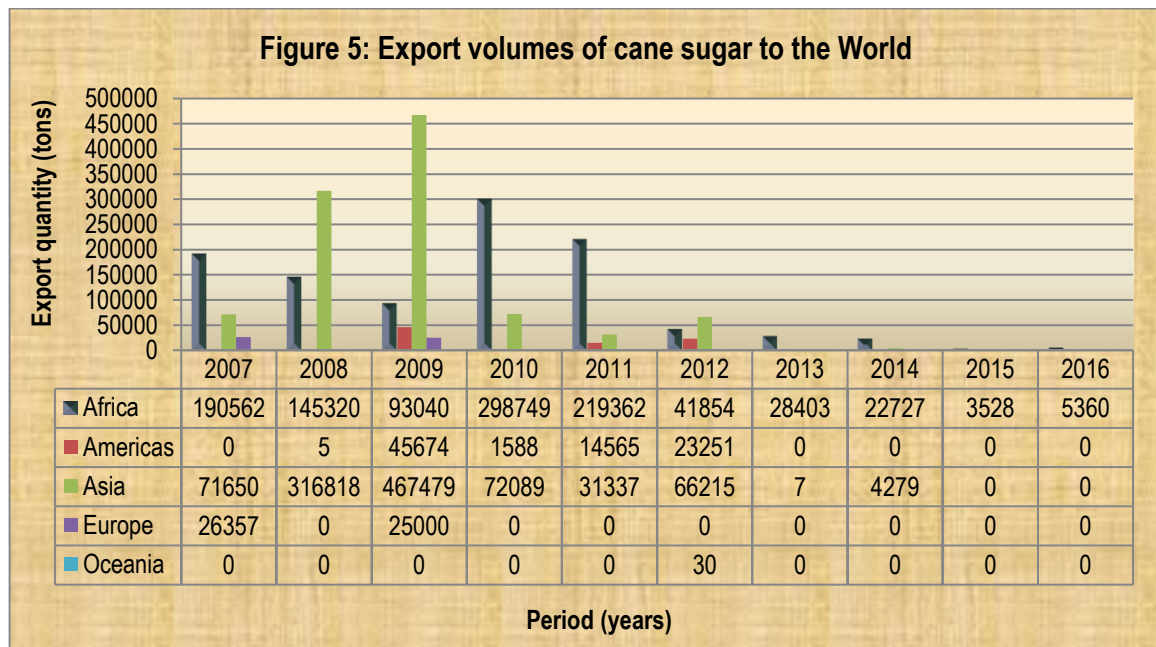
**Figure 4: Raw sugar export destinations in 2016**



Source: ITC Trade Map

Figure 5 below depicts export volumes of cane sugar from South Africa to various regions between 2007 and 2016.

**Figure 5: Export volumes of cane sugar to the World**

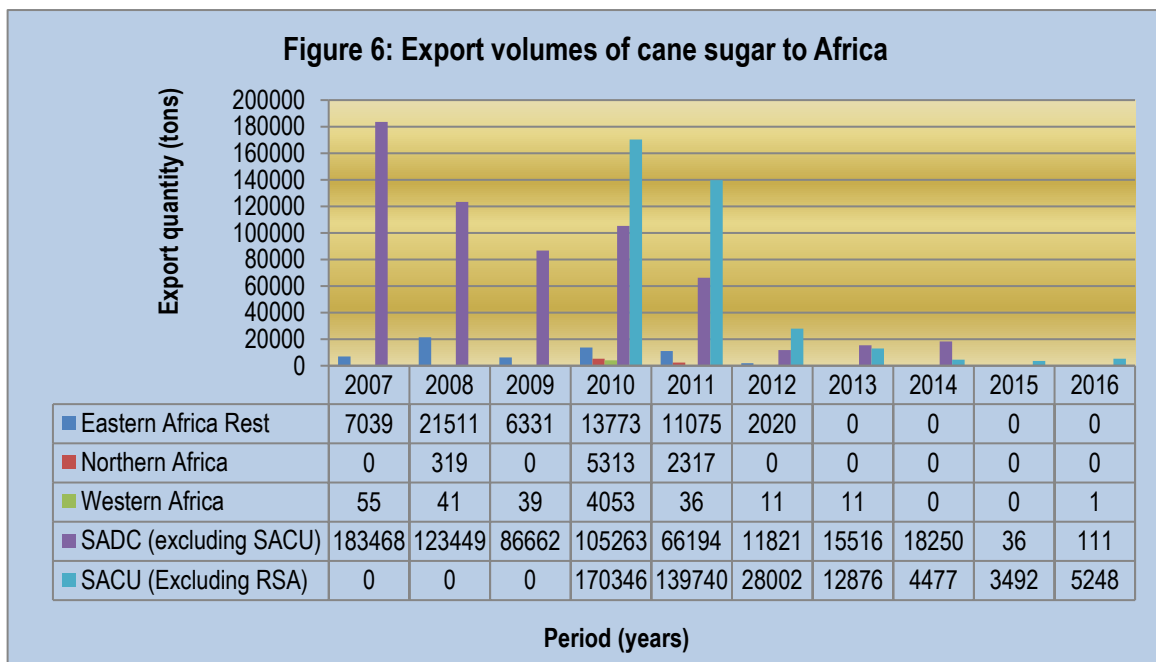


Source: Quantec EasyData

The major export market destination for South African cane sugar exports to the world was Asia, followed by Africa over the past decade. Exports of raw sugar from South Africa to Asia were from

a low base during the first half of the ten year period, attaining a peak in 2009 at approximately 467 479 tons. During the second half of the same period under review, exports of raw sugar from South Africa to Asia were from a high base with maximum exports of about 66 215 tons in 2012. Africa as a second largest region recorded its high quantities of raw sugar exports from South Africa in 2010 at an export quantity of about 298 749 tons. From 2010 Africa became a major destination of South African raw sugar until 2016. Exports of raw sugar are largely affected by the value of the Rand against other currencies, local production, supply and demand in the neighbouring states. Americas and Europe had very low intake of raw sugar from South Africa of not more than 50 000 tons per annum during the period under scrutiny. There was an increase of 52% in 2016 of raw sugar exports to Africa as compared to 2015.

Figure 6 below shows export volumes of cane sugar from South Africa to Africa between 2007 and 2016.

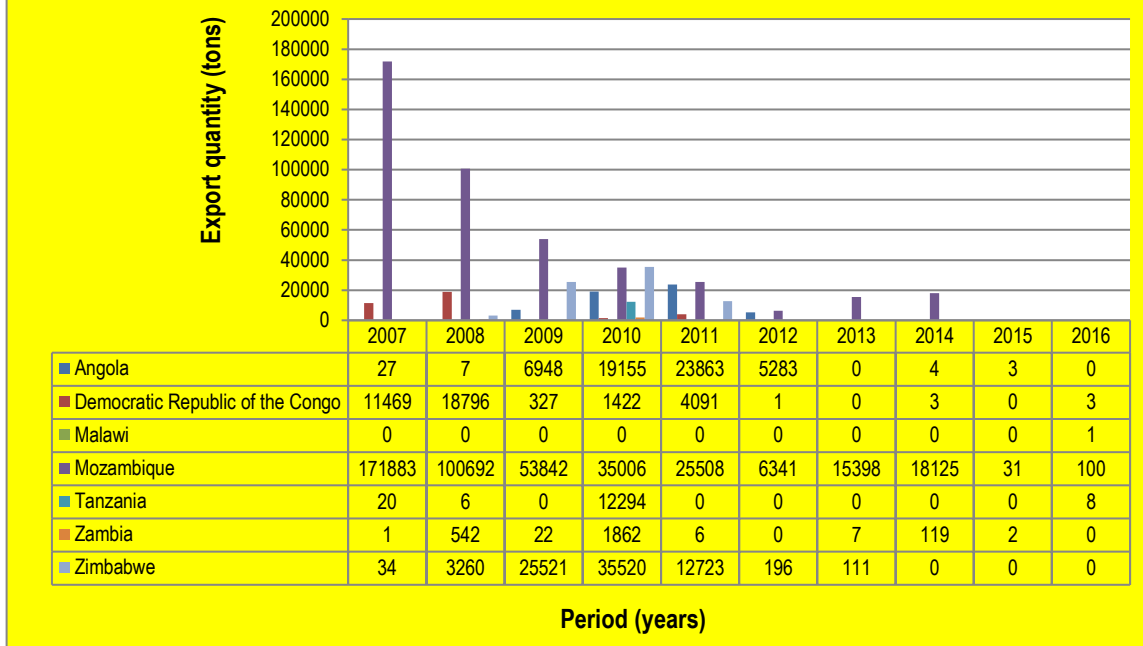


Source: Quantec EasyData

The major export market destination for South African cane sugar to Africa was SADC, followed by Northern, Eastern, and Western Africa. The largest export volumes of raw sugar from South Africa to SADC were recorded in 2007 at export quantity of approximately 183 468 tons. From 2010 to 2012 SACU dominated as the market destination for South African raw sugar reaching the peak in 2010 at about 170 346 tons. Northern, Eastern, and Western Africa had very low levels of raw sugar intakes from South Africa of not more than 22 000 tons per annum over the ten years under review. There was a 208.3% increase in export volumes of raw sugar from South Africa to the SADC region in 2016 as compared to 2015.

Figure 7 below indicates export volumes of cane sugar from South Africa to the SADC region between 2007 and 2016.

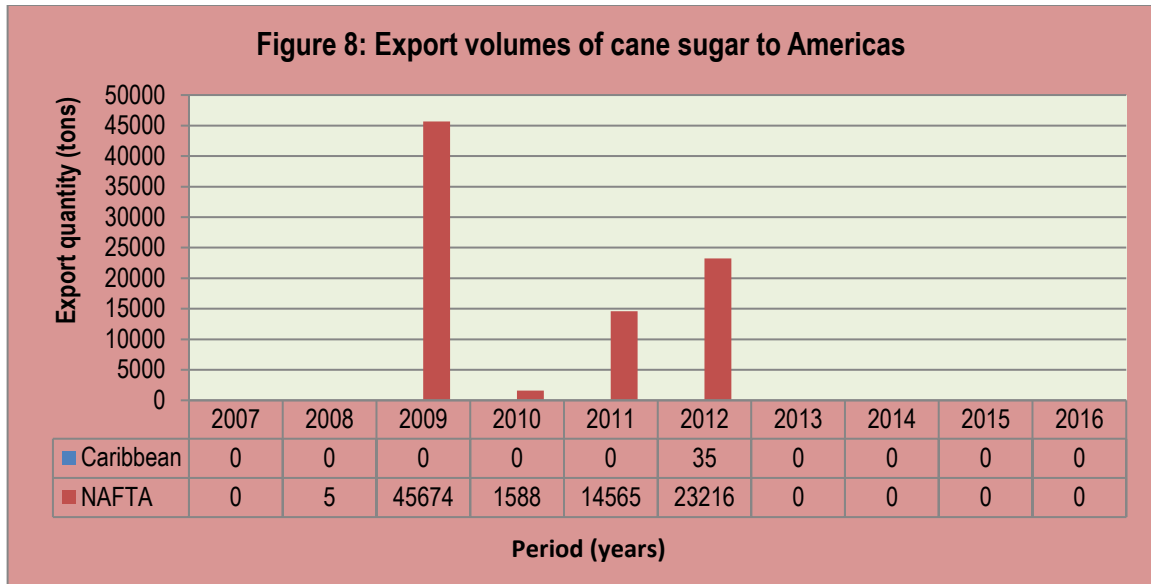
**Figure 7: Export volumes of cane sugar to SADC excluding SACU**



Source: Quantec EasyData

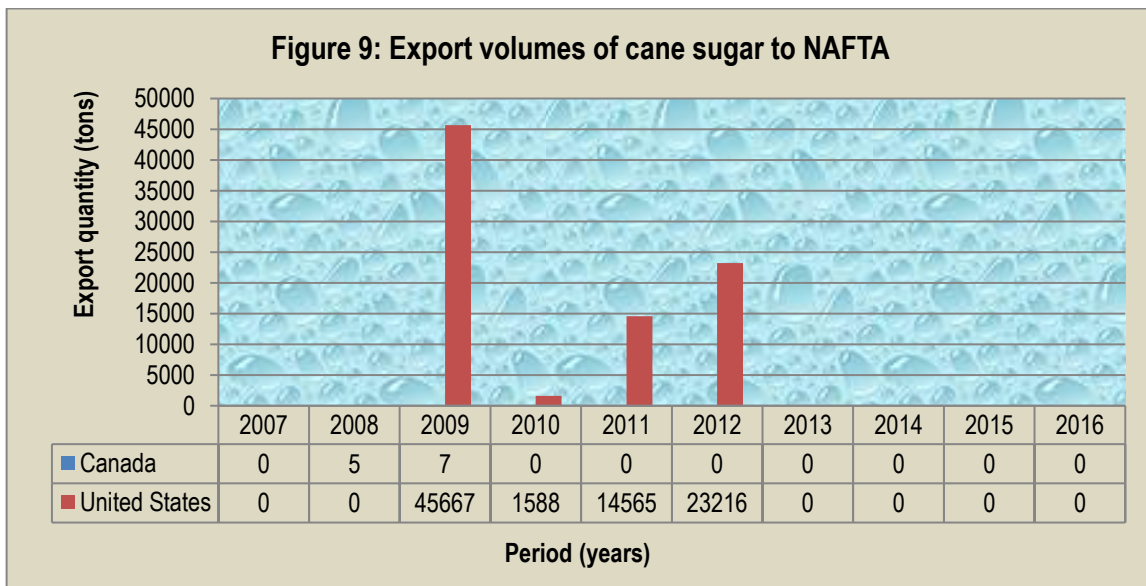
The major export market destination for South African cane sugar to SADC was Mozambique, followed by very intermittent exports to Zimbabwe, Zambia and the DRC. Cane sugar exports from South Africa to Mozambique were from a high base during the first half of the ten year period under review, attaining a peak in 2007 at approximately 171 883 tons. During the second half of the same period under examination, exports of cane sugar from South Africa to Mozambique were from a low base, attaining a maximum of 18 125 tons in 2014. In 2012 and 2015, there were significant declines of cane sugar exports from South Africa to Mozambique. Other SADC countries had very intermittent sugar export volumes from South Africa of not more than 40 000 tons per annum. In 2016, there was a substantial decline of 222.6% in export volumes of cane sugar from South Africa to Mozambique as compared to 2015.

Figure 8 below illustrates export volumes of cane sugar from South Africa to the Americas between 2007 and 2016. The major export market destination for South African raw sugar exports to the Americas was NAFTA, followed by very low exports to the Caribbean and Central America. The largest export volumes of raw sugar from South Africa to NAFTA were recorded in 2009 and 2012, at export quantities of approximately 45 674 tons and 23 216 tons, respectively. Exports of raw sugar cane are largely affected by the value of Rand against other currencies, local production, supply and demand in the neighbouring states. During 2016, there was a 100% decline in export volumes of raw sugar from South Africa to NAFTA as compared to 2012.



Source: Quantec EasyData

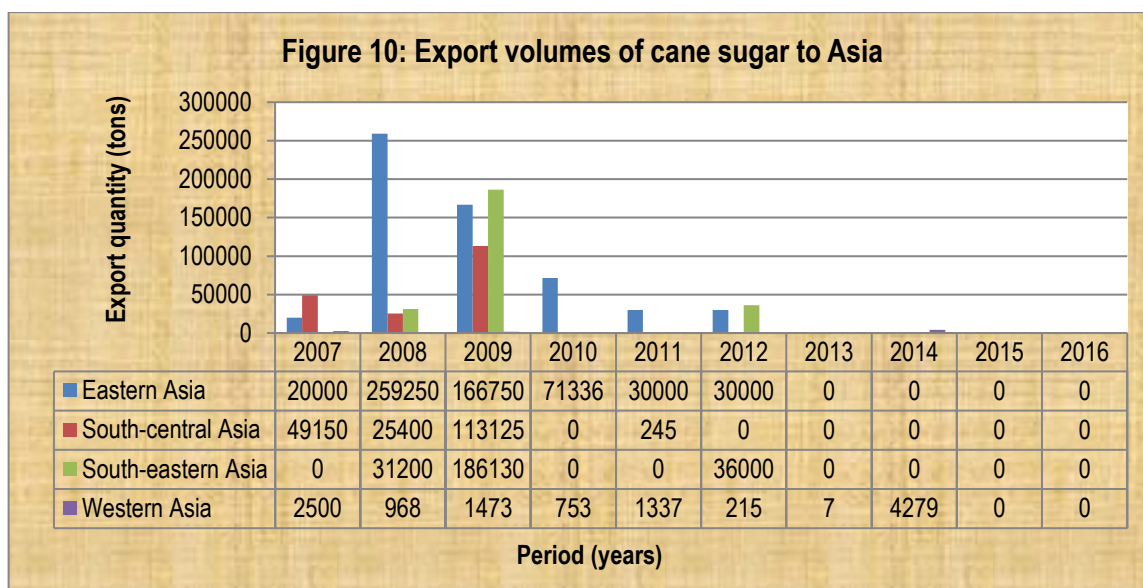
Figure 9 below depicts export volumes of cane sugar from South Africa to NAFTA between 2007 and 2016.



Source: Quantec EasyData

The major export market destination for South African cane sugar exports to NAFTA was the United States of America (USA), with very limited exports to Canada. The largest volumes of raw sugar exports from South Africa to the United States were recorded in 2009 and 2012 at export quantities of approximately 45 667 tons and 23 216, tons respectively. Over the past decade, Canada had a very low intake of raw sugar imports from South Africa of not more than 8 tons per annum. There was a 100% decrease in export volumes of raw sugar from South Africa to the United States in 2016 as compared to 2012.

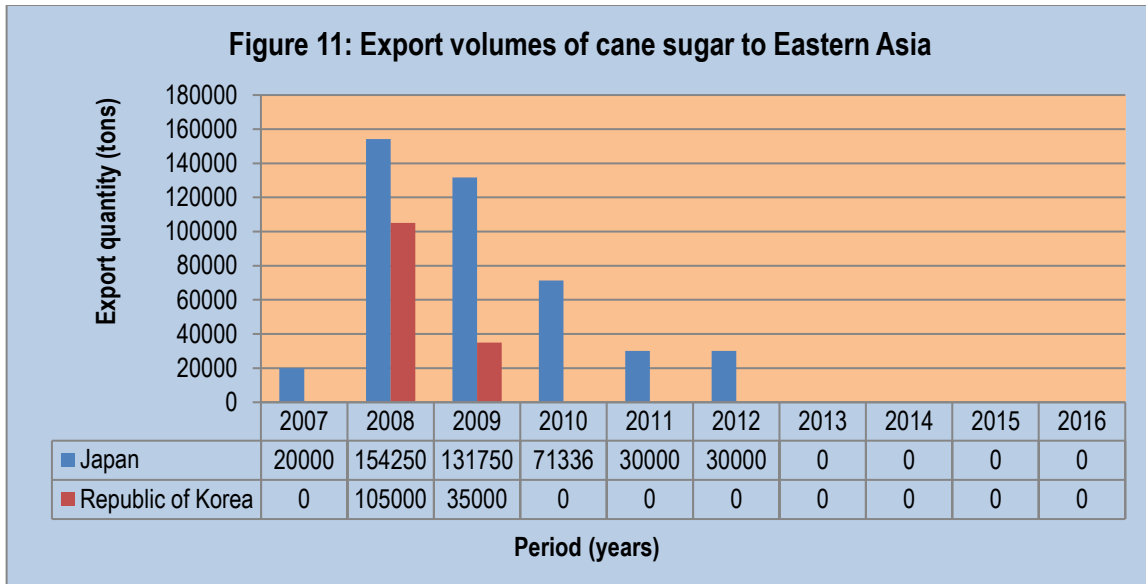
Figure 10 below shows export volumes of sugar cane from South Africa to Asia between 2007 and 2016.



Source: Quantec EasyData

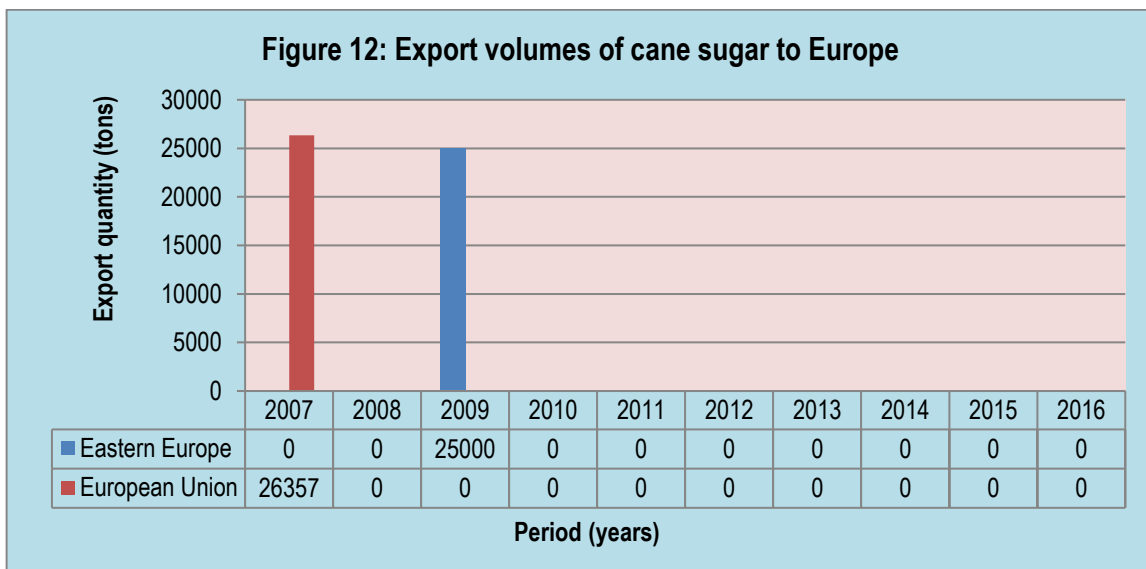
The major export market destination for cane sugar from South Africa to Asia was Eastern Asia, followed by South-central Asia and South-eastern Asia over the past decade (2007-2016). The largest volumes of cane sugar exports from South Africa to Eastern Asia were recorded in 2008 at an export quantity of approximately 259 250 tons. South-central Asia obtained its peak of imports of cane sugar from South Africa in 2009 at a quantity of about 113 125 tons. South-eastern Asia obtained its peak of cane sugar imports from South Africa in 2009 at a quantity of about 186 130 tons during the period under scrutiny. Cane sugar exports from South Africa to Eastern Asia were from a high base during the first half of the ten year period, while it was the opposite during the second half of the same period under scrutiny, reaching a maximum of 30 000 tons in 2012. During 2016 there was a 100% decline in export volumes of cane sugar from South Africa to Eastern Asia as compared to 2012.

Figure 11 below indicates export volumes of cane sugar to Eastern Asia between 2007 and 2016. The major export market destination for cane sugar from South Africa to Eastern Asia was Japan, followed by the Republic of Korea. Over the past decade, Japan dominated exports of cane sugar from South Africa until there were no exports of sugar between 2013 and 2016. Exports of raw sugar from South Africa to Japan attained a peak in 2008 at 154 250 tons, while Republic of Korea attained a peak also in 2008 at 105 000 tons. Figure 11 also indicates that there was a 100% decline in export volumes of cane sugar from South Africa to Japan in 2016 as compared to 2012, and there was a 100% decline in export volumes of cane sugar from South Africa to Republic of Korea in 2016 as compared to 2009.



Source: Quantec EasyData

Figure 12 below illustrates export volumes of cane sugar to Europe between 2007 and 2016.

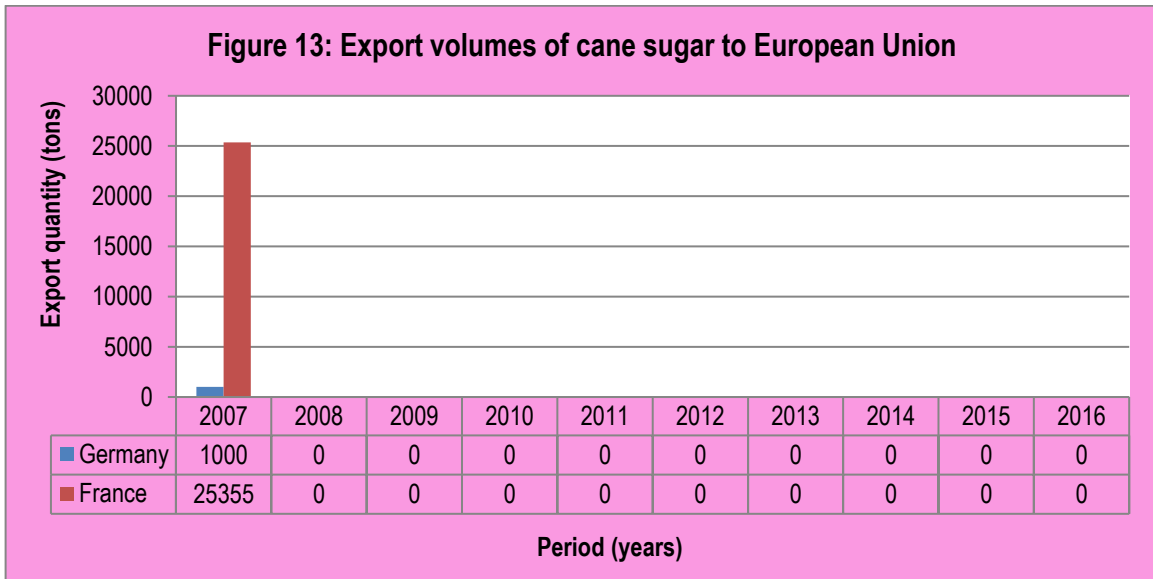


Source: Quantec EasyData

Export volumes of cane sugar from South Africa to Europe landed mainly in the European Union, followed by Eastern Europe. The largest volumes of exports of raw sugar from South Africa to the European Union were recorded in 2007 at 26 357 tons. The largest volumes of exports to Eastern Europe were recorded in 2009 at 25 000 tons. There was no growth in export volumes of raw sugar from South Africa to Eastern Europe in 2016 as compared to 2009, and there was a 100% decrease in export volumes of raw sugar from South Africa to the European Union in 2016 as compared to 2007.

Figure 13 depicts export volumes of cane sugar to the European Union between 2007 and 2016. Exports from South Africa to the European Union went to France over the past decade (2007-

2016). Over the past decade under review, export volumes to France started to increase substantially in 2007 and at the same time attained a peak at approximately 25 355 tons. Between 2008 and 2016, there were no records of exports of cane sugar cane from South Africa to France. Export volumes of cane sugar from South Africa to Germany attained a peak also in 2007 at an export quantity of about 1 000 tons. In 2016, there was no growth in export volumes of cane sugar from South Africa to France as compared to 2007, while there was also no growth (0.00%) of cane sugar exports from South Africa to Germany in 2016 as compared to 2007.



Source: Quantec EasyData

Figure 14 below shows export volumes of cane sugar to Eastern Europe between 2007 and 2016.



Source: Quantec EasyData

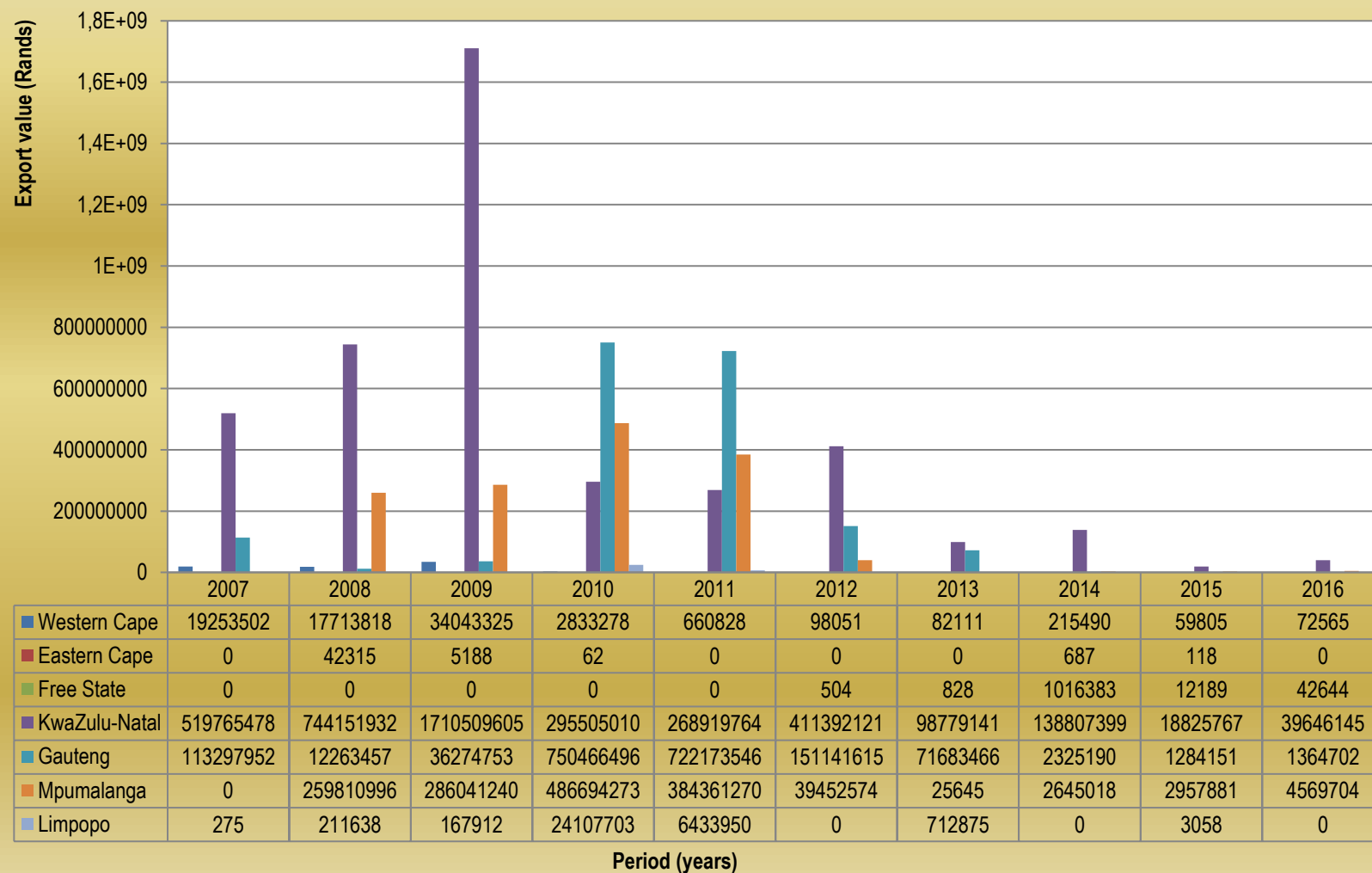
The major export market destination for cane sugar from South Africa to Eastern Europe was the Russian Federation with no competition from other Eastern European nations over the past decade



(2007-2016). Between 2007 and 2008, and between 2010 and 2016, there were no cane sugar exports from South Africa to the Russian Federation.

Figure 15 indicates export values of cane sugar by provinces to the world between 2007 and 2016.

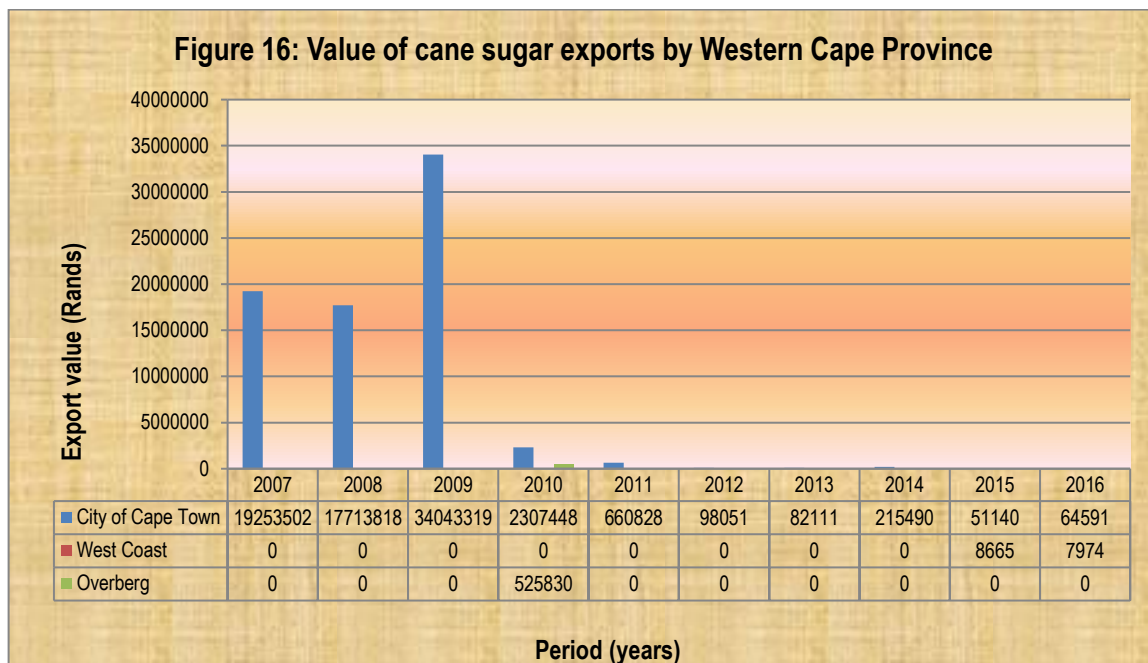
Figure 15: Value of cane sugar exports by Provinces to the World



Source: Quantec EasyData

It is evident in Figure 15 that the provinces that recorded the highest exports for cane sugar from South Africa to the world over the past decade (2007-2016) were KwaZulu-Natal and Mpumalanga provinces. A greater proportion of cane sugar exports to the world originated mainly from the KwaZulu-Natal province which is the major sugar producing province and the majority of the sugar mills are located within the province. The figure also indicates that exports of cane sugar cane from KwaZulu-Natal province to the world started to increase substantially in 2007 and peak was attained in 2009 at approximately R1.71 billion. Cane sugar exports from Mpumalanga province to the world have been irregular during the period between 2007 and 2016, and since the province is also one of the producers of the crop and has one sugar mill located there. Cane sugar exports from Mpumalanga province to the world attained a peak in 2010 at about R486 million. The figure also indicates that exports of cane sugar from Eastern Cape, Northern West and Limpopo provinces were very intermittent and did not exceed R25 million per annum. The figure shows cane sugar exports to the world in 2016 as compared to 2015 marketing increased by 21.3% and 6.3% from Western Cape and Gauteng respectively. The figure further indicates that there was 110.6% increase in exports of cane sugar from KwaZulu-Natal province to the world in 2016 as compared to 2015 marketing season.

Figure 16 below illustrates value of cane sugar from Western Cape Province to the world between 2007 and 2016.

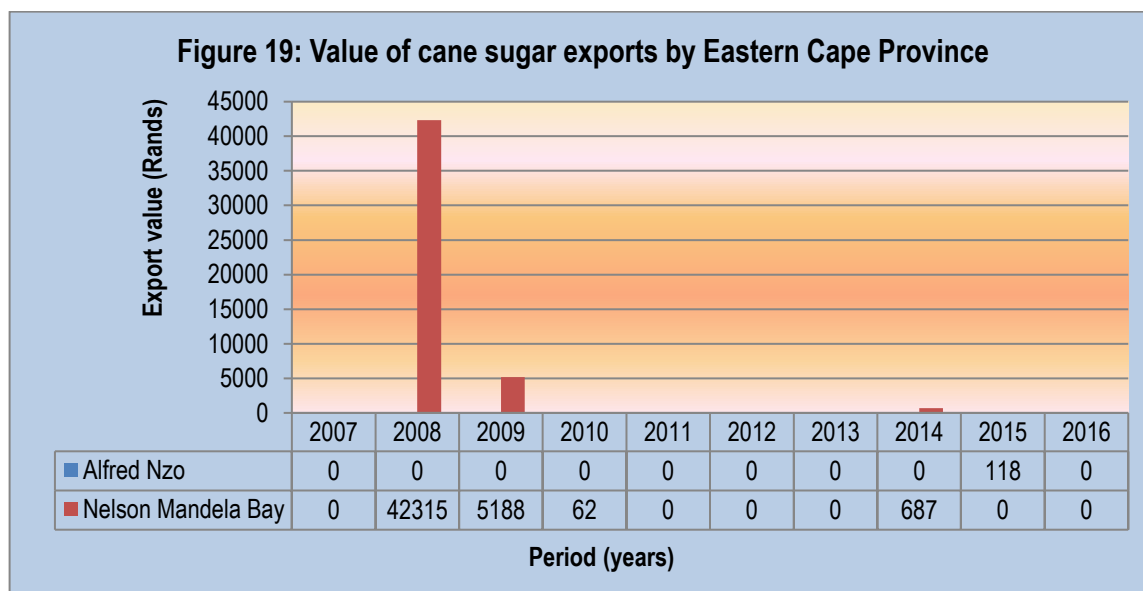


Source: Quantec EasyData

The City of Cape Town Metropolitan Municipality commanded greatest share in terms of cane sugar exports from the Western Cape province, attaining a peak in 2009 at approximately R34 million. Between 2012 and 2013, 2015 and 2016 cane sugar exports from the City of Cape Town Metro experienced very low levels of trade of not more than R100 000. From 2010 to 2011, there was a decline in exports of cane sugar from the City of Cape Town Metro to the world until decent

exports were experienced again in 2012 at R98 051. The West Coast and Cape Winelands Districts had very intermittent exports of cane sugar during the period under review. There was a 26.3% increase in exports of cane sugar from the City of Cape Town to the world in 2016 as compared to 2015.

Figure 17 below depicts values of cane sugar from Eastern Cape province to the world between 2007 and 2016.

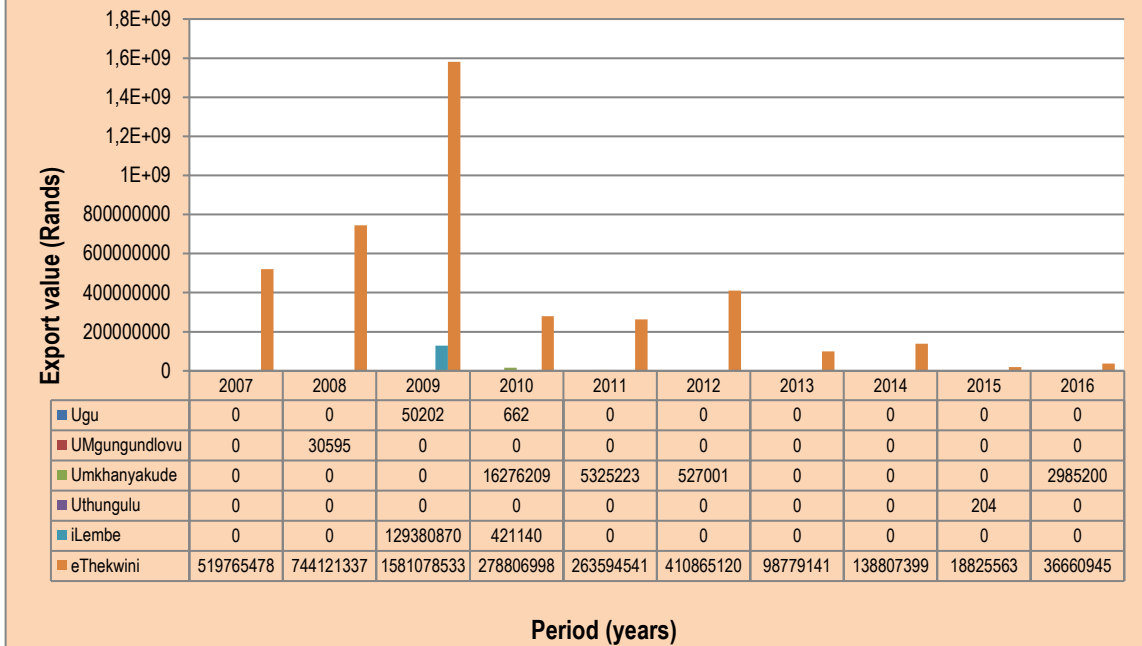


Source: Quantec EasyData

The Nelson Mandela Metropolitan Municipality commanded the greatest market share of cane sugar exports from Eastern Cape province over the past decade and dominated cane sugar exports from 2007 to 2016 until a peak was attained in 2008 at approximately R42 315. There were no exports of cane sugar from Alfred Nzo District Municipality to the world from 2007 to 2014. In 2015, there was a 100% increase in exports of cane sugar from Alfred Nzo District Municipality. In 2016, there was a 100% decline in exports from Alfred Nzo and Nelson Mandela Bay as compared to 2015 and 2014 marketing years respectively.

Figure 18 below illustrates value of cane sugar from KwaZulu-Natal province to the world between 2007 and 2016. The eThekweni Metropolitan Municipality recorded greater export values of cane sugar from KwaZulu-Natal province over the past decade, followed by very intermittent exports from iLembe District Municipality. Exports of cane sugar from eThekweni Metropolitan Municipality were from a high base during the first half of the ten year period, attaining a peak in the second half of the ten year period in 2016 at R36 million. Exports of cane sugar from UMgungundlovu District Municipality were low and attained a peak in 2008 at R30 595. The iLembe, Ugu, UMgungundlovu and UMkhanyakude District Municipalities had very low levels of cane sugar exports of not more than R129 million per annum. There was a 94.7% increase in exports of cane sugar from eThekweni Metropolitan municipality to the world in 2016 as compared to 2016, while there was also a 100% decrease in exports of cane sugar from Umkhanyakude District Municipality to the world in 2016 as compared to 2012.

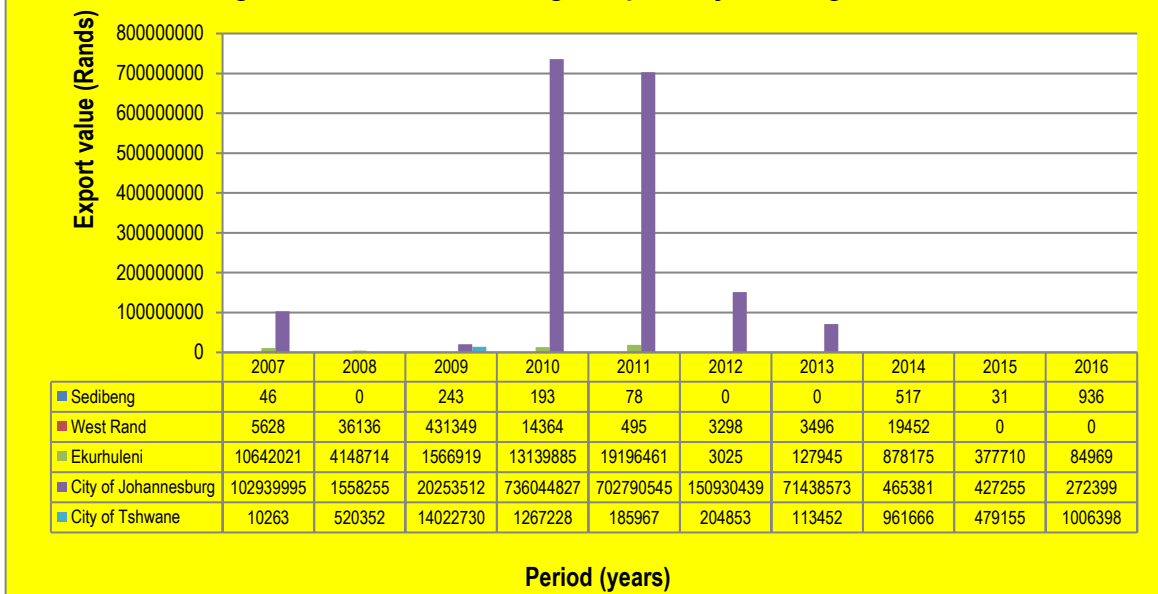
**Figure 18: Value of cane sugar exports by KwaZulu Natal Province**



Source: Quantec EasyData

Figure 19 below illustrates value of cane sugar from Gauteng Province to the world between 2007 and 2016.

**Figure 19: Value of cane sugar exports by Gauteng Province**

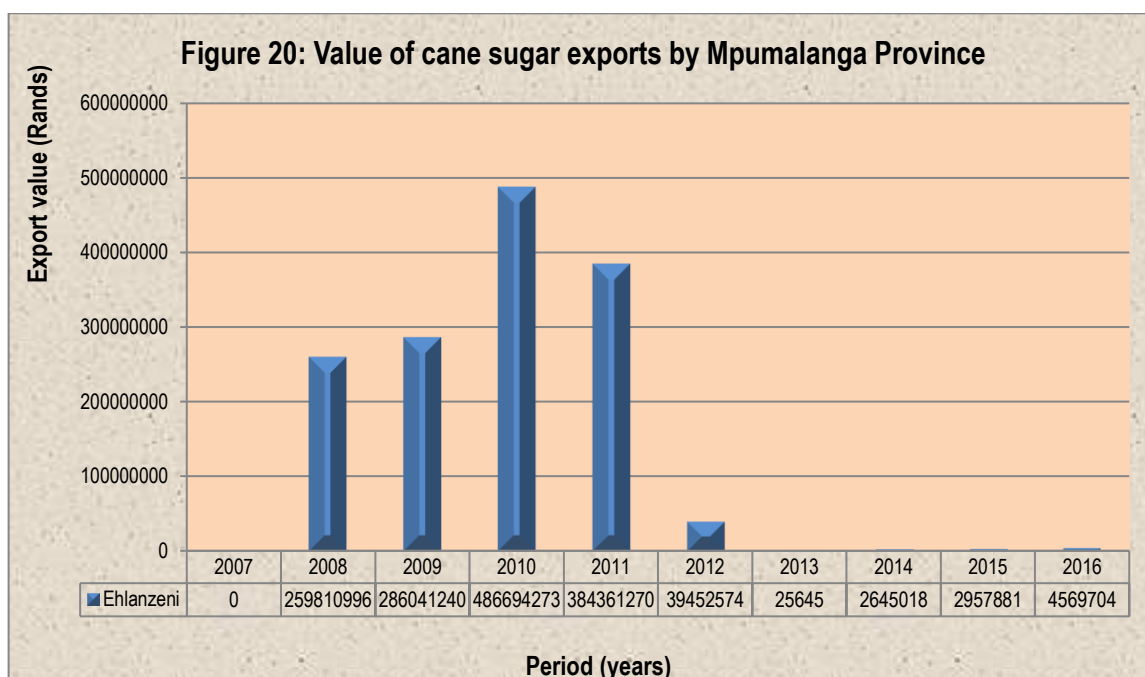


Source: Quantec EasyData

The City of Johannesburg Metro Municipality recorded highest export values of cane sugar from Gauteng province to the world, followed by Ekurhuleni Metro Municipality over the past decade.

Exports of cane sugar from the City of Johannesburg Metro Municipality to the world were from a low base of not more than R737 million during the first half of the ten year period. During the second half of the same period under scrutiny, exports were from a high base attaining a peak in 2012 of R150 million. The highest cane sugar exports from Ekurhuleni Metro Municipality to the world were recorded in 2011 at about R19.9 million. The graph further shows that West Rand District Municipality and the City of Tshwane Metro Municipality had very low levels of cane sugar exports to the world, recording not more than R2 million per annum. There was a 36.2% decline in exports of cane sugar from the City of Johannesburg Metro Municipality to the world in 2016 as compared to 2015.

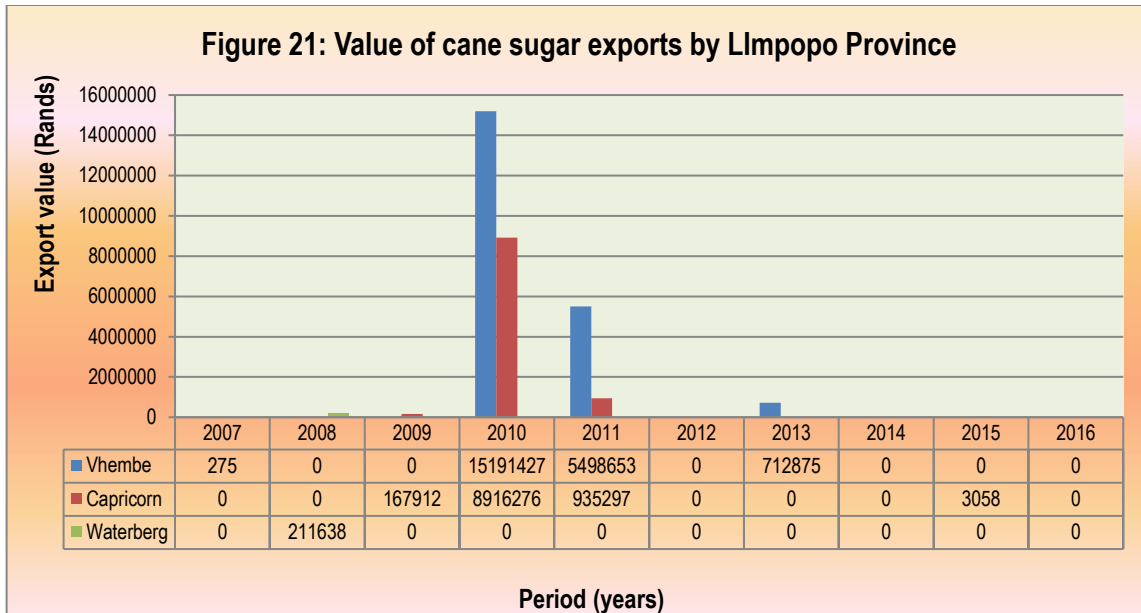
Figure 20 depicts value of cane sugar from Mpumalanga Province to the world between 2007 and 2016.



Source: Quantec EasyData

The Ehlanzeni District Municipality commanded greatest market share of cane sugar exports from Mpumalanga province to the world during the period under scrutiny. Exports of cane from Ehlanzeni District Municipality to the world were from a low base during the first five years of the ten year period attaining a peak in 2010 at about R486 million. From 2012 exports of cane sugar from Ehlanzeni District Municipality to the world were from a very high base attaining a peak in 2012 at approximately R39 million. In 2007, there were no exports of cane sugar from Ehlanzeni District Municipality to the world. There was more than 54.5% increase in exports of cane sugar from Ehlanzeni District Municipality to the world in 2016 as compared to 2015.

Figure 21 illustrates values of cane sugar exports from Limpopo Province to the world between 2007 and 2016.



Source: Quantec EasyData

The Vhembe District Municipality commanded the greatest market share of cane sugar exports from Limpopo Province to the world, followed by low levels of cane sugar exports from the Capricorn and Waterberg District Municipalities. Exports of cane sugar from Vhembe District Municipality to the world were from a very low base during the first half of the ten year period attaining R15 million in 2010. Exports of cane sugar from Vhembe District Municipality to the world were from a high base during the second half of the ten year period attaining a peak in 2013 at approximately R712 875. In 2016, there was a 100% decrease in exports of cane sugar from Vhembe District Municipality to the world as compared to 2013.

### 3.1 Share Analysis

Table 4 below illustrates the share of provincial cane sugar exports from provinces of South Africa to the world between 2007 and 2016. The KwaZulu-Natal province commanded the greatest market share in exports of cane sugar over the same period under review, followed by Mpumalanga and Gauteng province in 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 cane 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 Mozambique, and therefore makes it easy to export sugar to those countries.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Provinces										

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Provinces</b>										
Western Cape	2.95	1.71	1.65	0.18	0.05	0.02	0.05	0.15	0.26	0.16
Eastern Cape	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Free State	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.05	0.09
KwaZulu-Natal	79.68	71.95	82.75	18.95	19.45	68.33	57.67	95.72	81.35	86.76
Gauteng	17.37	1.19	1.75	48.12	52.23	25.10	41.85	1.60	5.55	2.99
Mpumalanga	0.00	25.12	13.84	31.21	27.80	6.55	0.01	1.82	12.78	10.00
Limpopo	0.00	0.02	0.01	1.55	0.47	0.00	0.42	0.00	0.01	0.00

Source: Calculated from Quantec EasyData

Table 5 shows that the City of Cape Town Metropolitan Municipality commanded the greatest market share in terms of cane sugar exports from the Western Cape province between 2007 and 2016.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
City of Cape Town	100.00	100.00	100.00	81.44	100.00	100.00	100.00	100.00	85.51	89.01
West Coast	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.49	10.99
Overberg	0.00	0.00	0.00	18.56	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec EasyData

Table 6 indicates that the Nelson Mandela Metropolitan Municipality commanded the greatest market share in terms of cane sugar exports from the Eastern Cape province over the past decade. However, in 2015 Alfred Nzo Municipality commanded the greatest share of 100%.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Districts</b>										
Alfred Nzo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00
Nelson Mandela Bay	0.00	100.00	100.00	100.00	0.00	0.00	0.00	100.00	0.00	0.00

Source: Calculated from Quantec EasyData

Table 7 depicts that eThekweni Metropolitan Municipality commanded the greatest market share in terms of cane sugar exports from KwaZulu-Natal province, followed by Umkhanyakude District Municipality over the past ten years.



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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Districts										
Ugu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UMgungundlovu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Umkhanyakude	0.00	0.00	0.00	5.51	1.98	0.13	0.00	0.00	0.00	7.53
Uthungulu	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
iLembe	0.00	0.00	7.56	0.14	0.00	0.00	0.00	0.00	0.00	0.00
eThekwini	100.00	100.00	92.43	94.35	98.02	99.87	100.00	100.00	100.00	92.47

Source: Calculated from Quantec EasyData

Table 8 shows that the City of Johannesburg Metropolitan Municipality, followed by Ekurhuleni and Tshwane Metropolitan Municipalities, commanded greatest market shares in terms of cane sugar exports from Gauteng province over the past decade.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Districts										
Sedibeng	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.07
West Rand	0.00	0.29	1.19	0.00	0.00	0.00	0.00	0.84	0.00	0.00
Ekurhuleni	9.39	33.83	4.32	1.75	2.66	0.00	0.18	37.77	29.41	6.23
City of Johannesburg	90.86	12.71	55.83	98.08	97.32	99.86	99.66	20.01	33.27	19.96
City of Tshwane	0.01	4.24	38.66	0.17	0.03	0.14	0.16	41.36	37.31	73.74

Source: Calculated from Quantec EasyData

Table 9 shows that Ehlanzeni District Municipality commanded the greatest market share in terms of cane sugar exports from Mpumalanga province during the period under review.

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

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Districts										
Ehlanzeni District	0.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculated from Quantec EasyData

Table 10 shows that the Vhembe District Municipality commanded the greatest market share in terms of cane sugar exports from Limpopo province over the past ten years.

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

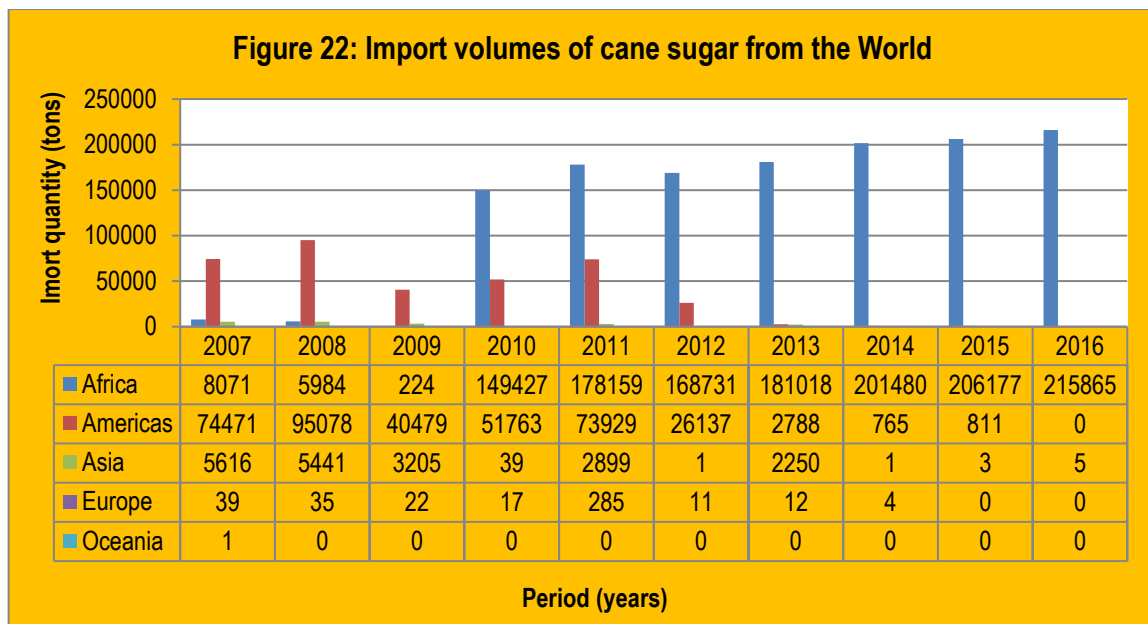
Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Districts										

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Districts										
Vhembe District	100.00	0.00	0.00	63.01	85.46	0.00	100.00	0.00	0.00	0.00
Capricorn District	0.00	0.00	100.00	36.99	14.54	0.00	0.00	0.00	100.00	0.00
Waterberg District	0.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Calculated from Quantec EasyData

#### 4. IMPORT VOLUMES OF CANE SUGAR FROM THE WORLD

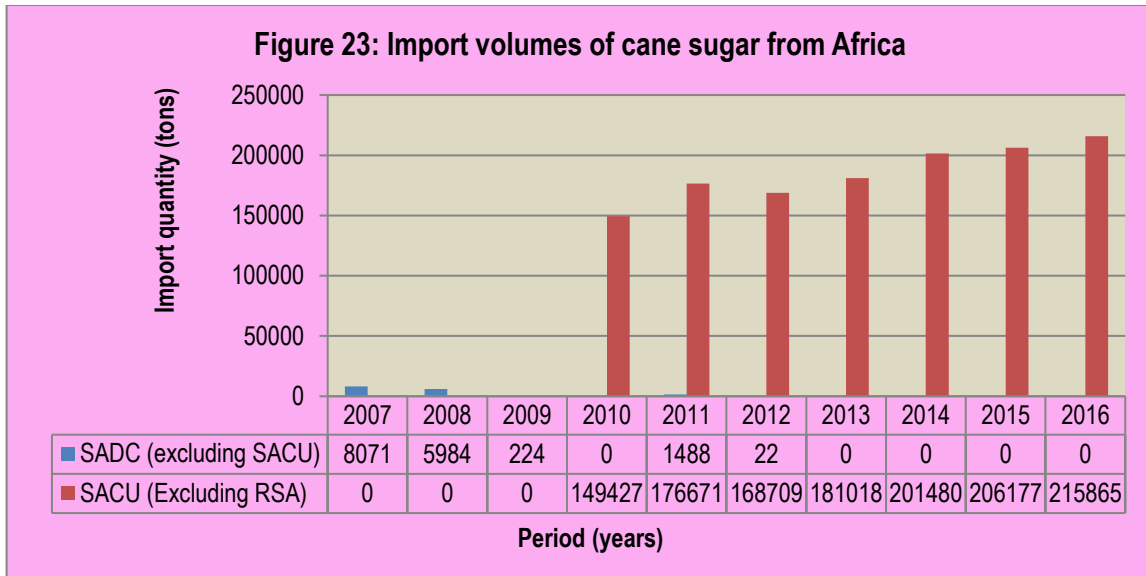
Figure 22 below depicts import volumes of cane sugar from various regions into South Africa between 2007 and 2016. Generally, the figure below indicates that the highest volumes of cane sugar from the world to South Africa were mainly from Africa and Americas.



Source: Quantec EasyData

It is evident that the greatest fraction of cane sugar imports from the world into South Africa was from Africa, followed by low import volumes from Americas, Asia and Europe. Imports of cane sugar from Africa were from a low base during the first half of the ten year period, attaining a peak in 2011 approximately 178 159 tons. During the second half of the same period, import volumes from Africa were from a high base attaining a peak in 2016 at approximately 215 865 tons. Imports from the Americas attained a peak in 2008 at approximately 95 000 tons. There was a 4.7% increase in imports of cane sugar from Africa into South Africa in 2016 as compared to 2015.

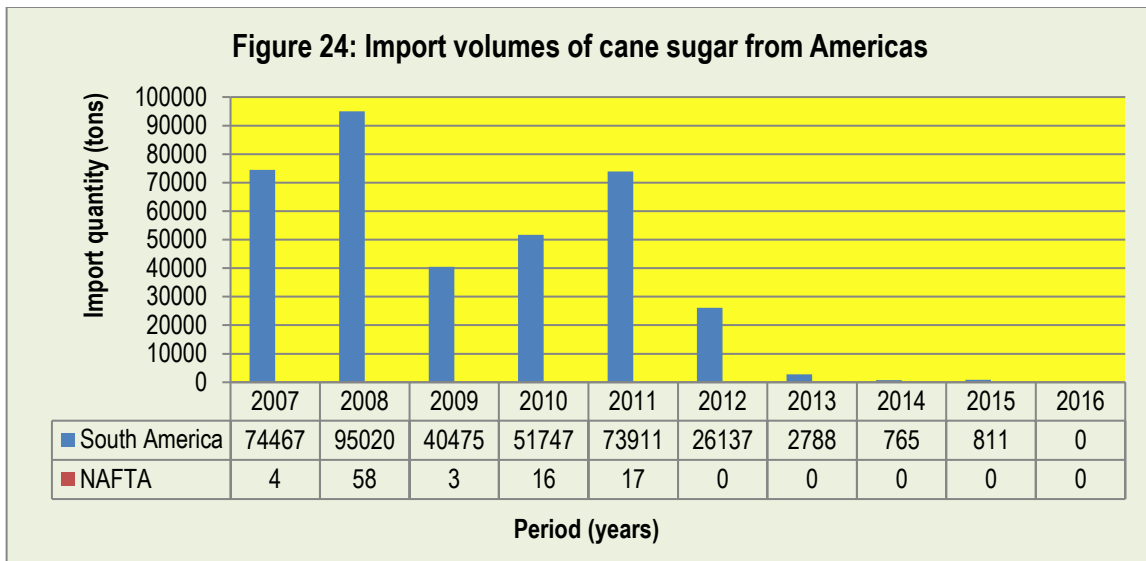
Figure 23 below indicates import volumes of cane sugar from Africa into South Africa between 2007 and 2016.



Source: Quantec EasyData

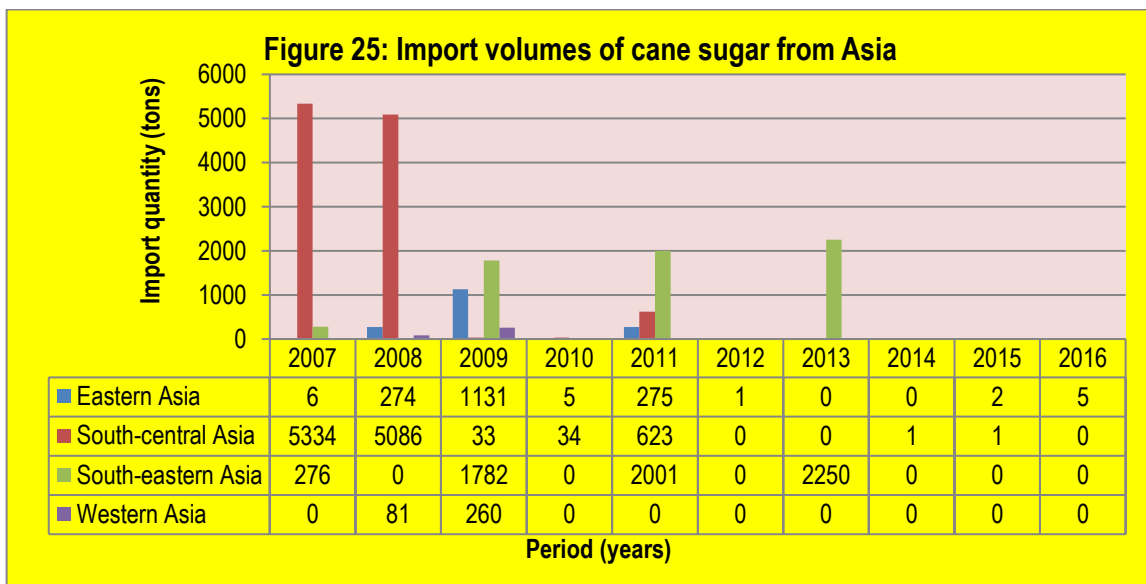
Imports of cane sugar from Africa into South Africa originated mainly in the SACU region during the period under examination, particularly from Swaziland. There were minimal volumes of not more than 8 500 tons per annum originating from SADC over the same period. Import volumes of cane sugar from SACU region into South Africa were from a low base during the first half of the ten period, attaining a peak in 2011 at approximately 176 671 tons. During the second half of the same period, volumes from the SACU region into South Africa were from a high base attaining a peak in 2016 at about 215 865 tons. Both SACU and SADC region had no competition in terms of imports of cane sugar from Africa into South Africa during this period, mainly because of preferential tariff agreements applied by both SADC and SACU member states. There was a 4.70% increase in imports of cane sugar from the SACU region into South Africa in 2016 as compared to 2015.

Figure 24 below illustrates import volumes of cane sugar the Americas into South Africa between 2007 and 2016. South America commanded the greatest market share in terms of imports of cane sugar from the Americas into South Africa during the period under examination, particularly Brazil. Import volumes of cane sugar from South America into South Africa started to increase substantially in 2007 and a peak was attained in 2008 at approximately 95 020 tons. Cane sugar imports from South America into South Africa experienced a sharp increase between 2007 and 2008 due to a marginal decline in domestic cane sugar production and consequently exports. Imports of cane sugar from South America decreased constantly between 2012 and 2016, reaching a minimum of 0 tons in 2016. Imports from NAFTA into South Africa also attained a peak in 2008, at 58 tons. There was a 100% increase in imports of cane sugar from South America into South Africa in 2016 as compared to 2015.



Source: Quantec EasyData

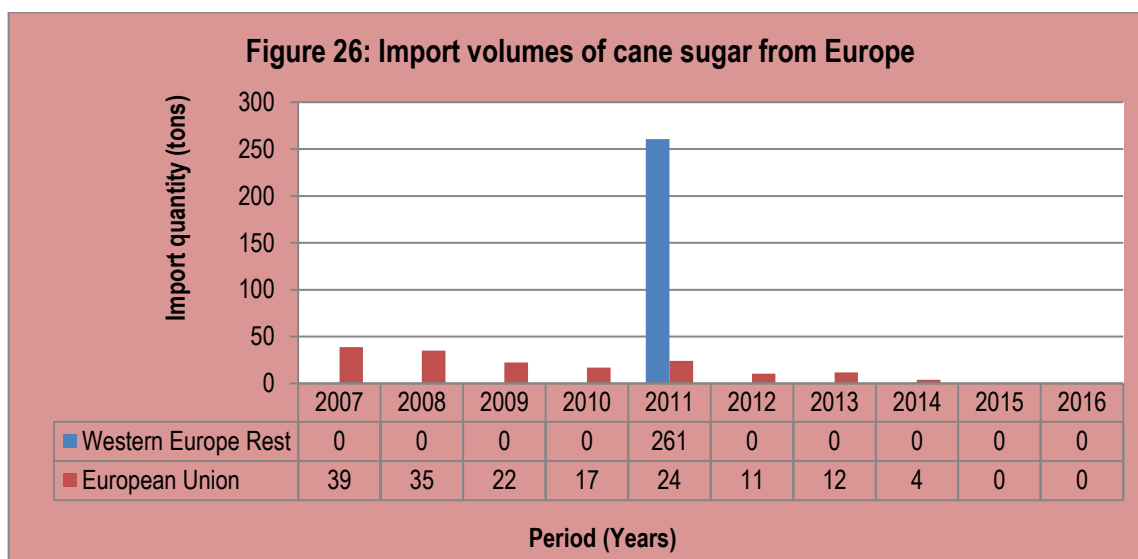
Figure 25 illustrates import volumes of cane sugar from Asia into South Africa between 2007 and 2016.



Source: Quantec EasyData

Cane sugar imports from Asia into South Africa originated mainly in South-central Asia, followed by South-eastern Asia during the period under review. Import volumes of cane sugar from South-central Asia into South Africa started to increase substantially in 2007 and at the same time attained a peak at approximately 5 334 tons. Imports from South-eastern Asia into South Africa attained a peak in 2013 at approximately 2 250 tons. Imports from Eastern and Western Asia into South Africa were very intermittent and not more than 1 132 tons per annum. During 2016, there was a 100% decline in imports of cane sugar from South-central Asia into South Africa as compared to 2015. Only Eastern Asia managed to import 5 tons of cane sugar in 2016.

Figure 26 below illustrates import volumes of cane sugar from Europe into South Africa between 2007 and 2016.



Source: Quantec EasyData

Western Europe was the main supplier of cane sugar imports from Europe into South Africa during the period under review. Imports of cane sugar from Western Europe into South Africa peaked at approximately 261 tons in 2011. Imports of cane sugar from European Union into South Africa were very intermittent between 2007 and 2016 and not more than 40 tons per annum. There was no growth (0.00%) in imports of cane sugar from Western Europe into South Africa in 2016 as compared to 2011.

## 5. SUGAR INDUSTRY STRUCTURE, PROCESSING AND MILLING

Sugarcane is milled in fourteen (14) sugar mills situated in Kwazulu-Natal and Mpumalanga. There are six (6) sugar milling companies in South Africa, namely:

***Illovo Sugar Ltd*** – operates four (4) 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 (4) sugar mills, two packaging plants, a central refinery** in Durban, various sugar estates and an animal feeds operation.

***TSB Sugar Ltd*** – operates three (3) 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.

**Umfolozzi Sugar Mill (Pty) Ltd** – a black empowerment grouping, owns the Umfolozzi mill, located in the Umfolozzi 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 fibre 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.

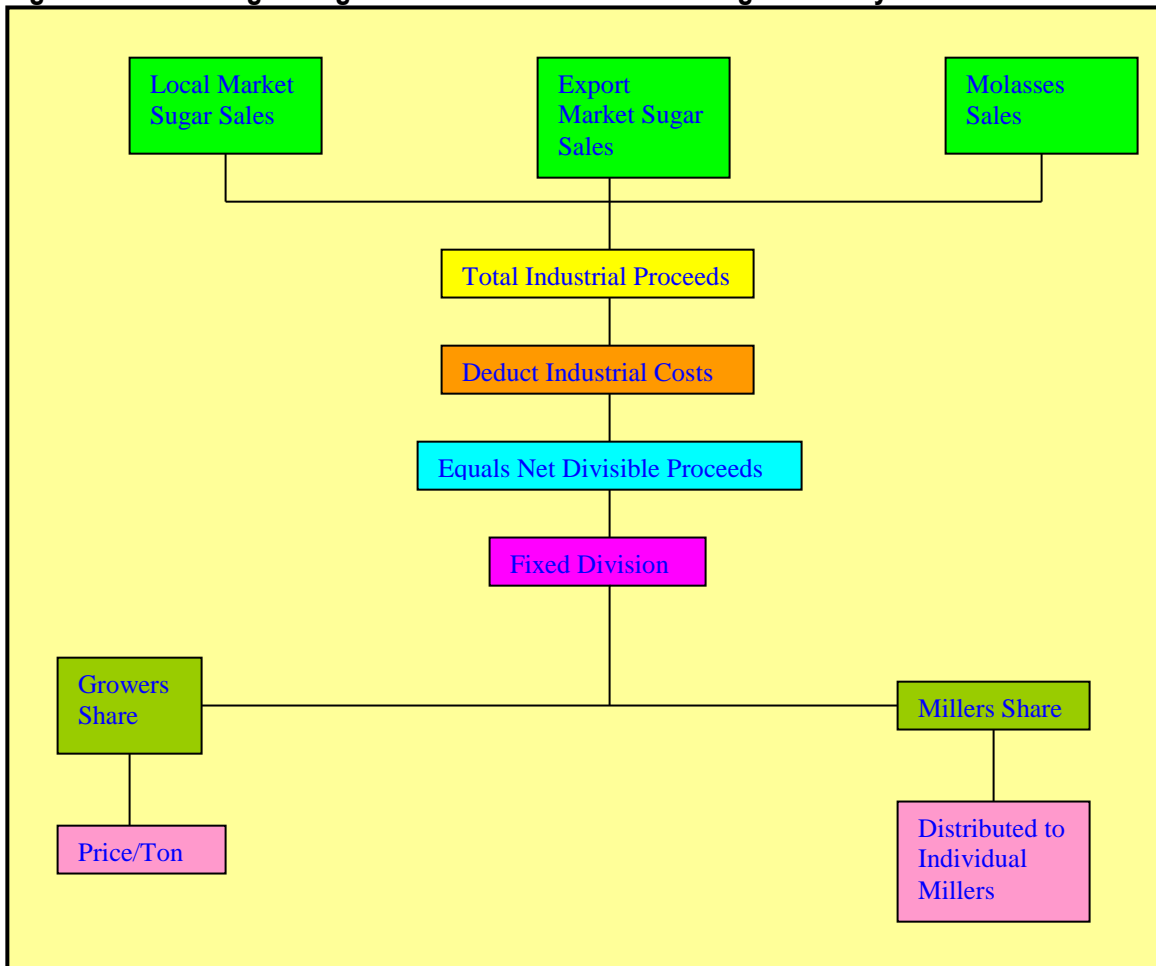
The raw sugar crystals will still have some molasses stuck to them and are sent to the refinery for further processing. The molasses are removed by soaking the raw sugar in a solution so saturated with sugar that none of the raw sugar crystals can dissolve. The crystals are then dissolved in water and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

The *syrup* then has all the remaining colour 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. The marketing arrangements in the South African sugar industry are presented in Figure 27 below.

**Figure 27: Marketing arrangements in the South African sugar industry**



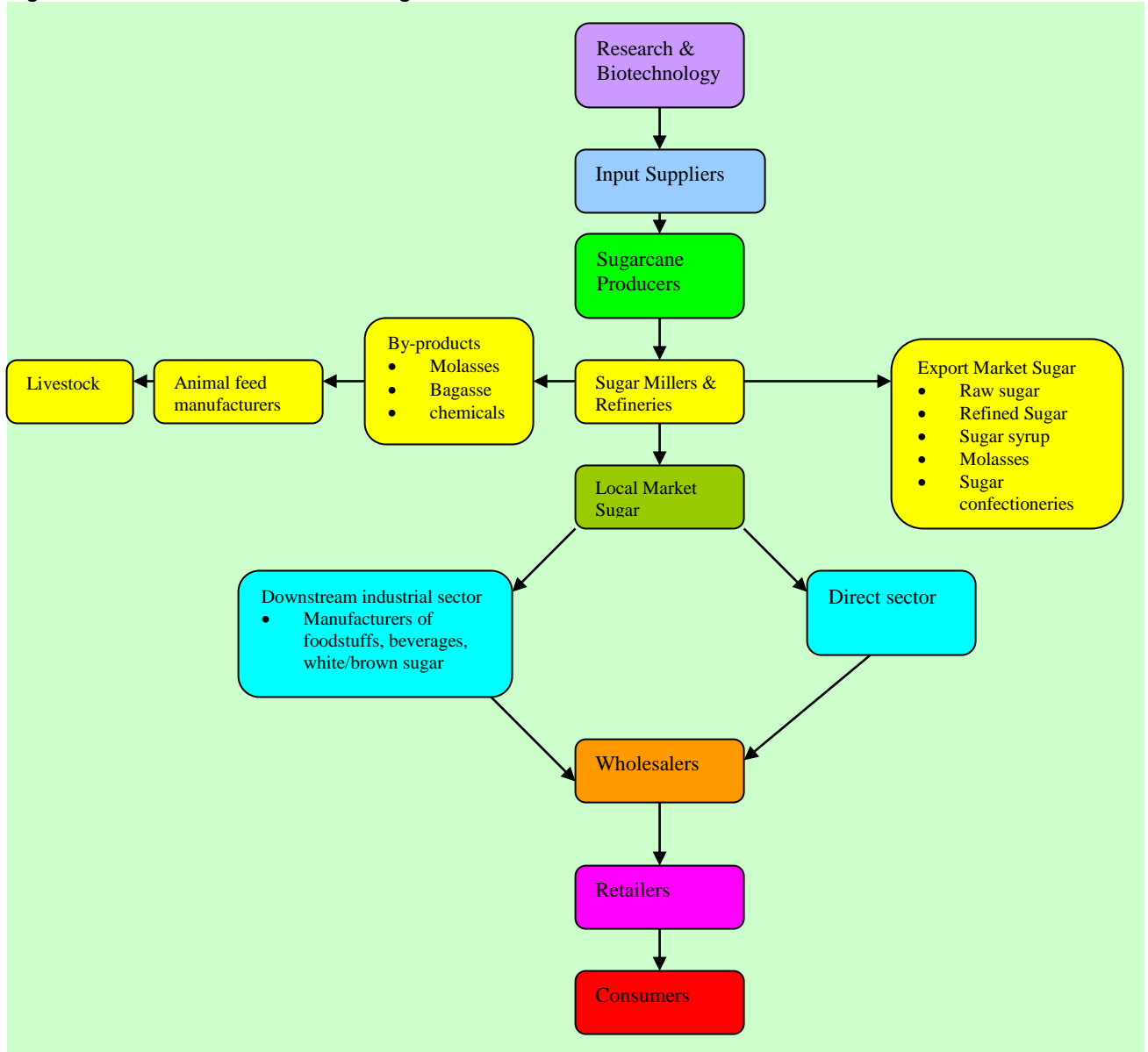
Source: South African Sugar Association

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 28 below presents the market value chain for sugar in South Africa.

**Figure 28: Market value chain for sugar in South Africa**



Source: Adapted from Food Price Monitoring Committee Report



## 7. MARKET ACCESS

### 7.1 Tariffs

Table 11 shows the various tariffs that are applied by various countries (markets) to the exports of cane sugar originating from the Republic of South Africa in 2016.

**Table 11: Tariffs that are applied by various countries (markets) to the exports of cane sugar originating from the Republic of South Africa**

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF
Namibia	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	Intra SACU rate	0.00%	0.00%
Mozambique	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	MFN duties (Applied)	7.50%	7.50%
		Preferential tariff for South Africa	0.00%	0.00%
Indonesia	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	MFN duties (Applied)	74.26\$/Ton	8.18%
Zimbabwe	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	MFN duties (Applied)	24.01%	24.01%
United States of America	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	MFN duties (Applied)	1.4606 cents/kg	1.4606 cents/kg
		Preferential tariff for GSP countries	0.00%	0.00%
		Preferential tariff for AGOA countries	0.00%	0.00%
Japan	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar	MFN duties (Applied)	322.11 \$/Ton	27.01%

COUNTRY (Importer)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF
	not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter			
Bangladesh	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	MFN duties (applied)	50.99 \$/Ton	6.38%
Botswana	Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified in subheading note 2 to this chapter	Intra SACU rate	0.00%	0.00%

Source: ITC Market Access Map

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 Japan sugar market is the most highly protected market with extremely high tariffs charged 27.01% for South African sugar imports over the period under scrutiny. Zimbabwe is the second most highly protected market charging tariffs as high as 24.01%. Namibia, Botswana and Mozambique, all applied a tariff of 0% to South African sugar imports in 2016.

Table 12 shows the existing tariff position applied by South Africa to imports of cane sugar originating from various regions in 2016.

**Table 12: Tariffs applied by South Africa to imports of cane sugar originating from various regions in 2016**

COUNTRY (Exporter)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT
Swaziland	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter	Intra SACU rate	0.00%	0.00%
Guatemala	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring	MFN duties (Applied)	OQTR: 155.37 \$/Ton IQTR :	OQTR: 28.59% IQTR : 21.00% 0.00%

COUNTRY (Exporter)	PRODUCT DESCRIPTION	TRADE REGIME DESCRIPTION	APPLIED TARIFFS	ESTIMATED TOTAL AD VALOREM EQUIVALENT
	matter: Cane sugar specified in Subheading Note 2 to this Chapter		21.00%	
Thailand	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter	MFN duties (Applied)	OQTR: 155.37\$/Ton IQTR : 21.00%	OQTR: 28.59% IQTR : 21.00%
Brazil	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter	MFN duties (Applied)	OQTR: 155.37 \$/Ton IQTR : 21.00%	OQTR: 28.59% IQTR : 21.00%
Germany	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter	MFN duties (Applied)	OQTR: 155.37 \$/Ton IQTR : 21.00%	OQTR: 28.59% IQTR : 21.00%
India	Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter	MFN duties (applied)	OQTR: 123.75 \$/Ton IQTR : 21.00%	OQTR: 3.11% IQTR : 21.00%

Source: ITC Market Access Map

The South African sugar market is protected as the country has applied tariffs for the import of raw sugar during the 2016 marketing season.

## 8. MARKET INTELLIGENCE

Table 13 illustrates the list of importing markets for cane sugar exported by South Africa to the world in 2016. As shown in the table, South Africa exported a total of 248 587 tons of cane sugar to the world market during the period under scrutiny. The greatest volumes were exported to Namibia, Botswana, Mozambique and the United States of America, with each country accounting for 40.5%, 21.7%, 13.5% and 10.3% market share respectively in South Africa's sugar exports in 2016. Namibia was the leading importer of cane sugar from South Africa with 104 005 tons, while Botswana was the second importer at 50 159 tons and Mozambique as the third at approximately 33 631 tons during 2016. Namibia and Botswana's imports worldwide experienced a decline in value of 8% and 15% respectively, while United States of America's imports worldwide experienced a positive growth in value and quantity at 8% and 6% respectively between 2012 and 2016, and the growth in value of the world market over the same period decreased by 27% and the decline in quantity was 15%. On the same note, Lesotho's imports from South Africa experienced a decline of 9% in value and 2% in quantity between 2012 and 2016.

**Table 13: List of importing markets for cane sugar exported by South Africa in 2016**

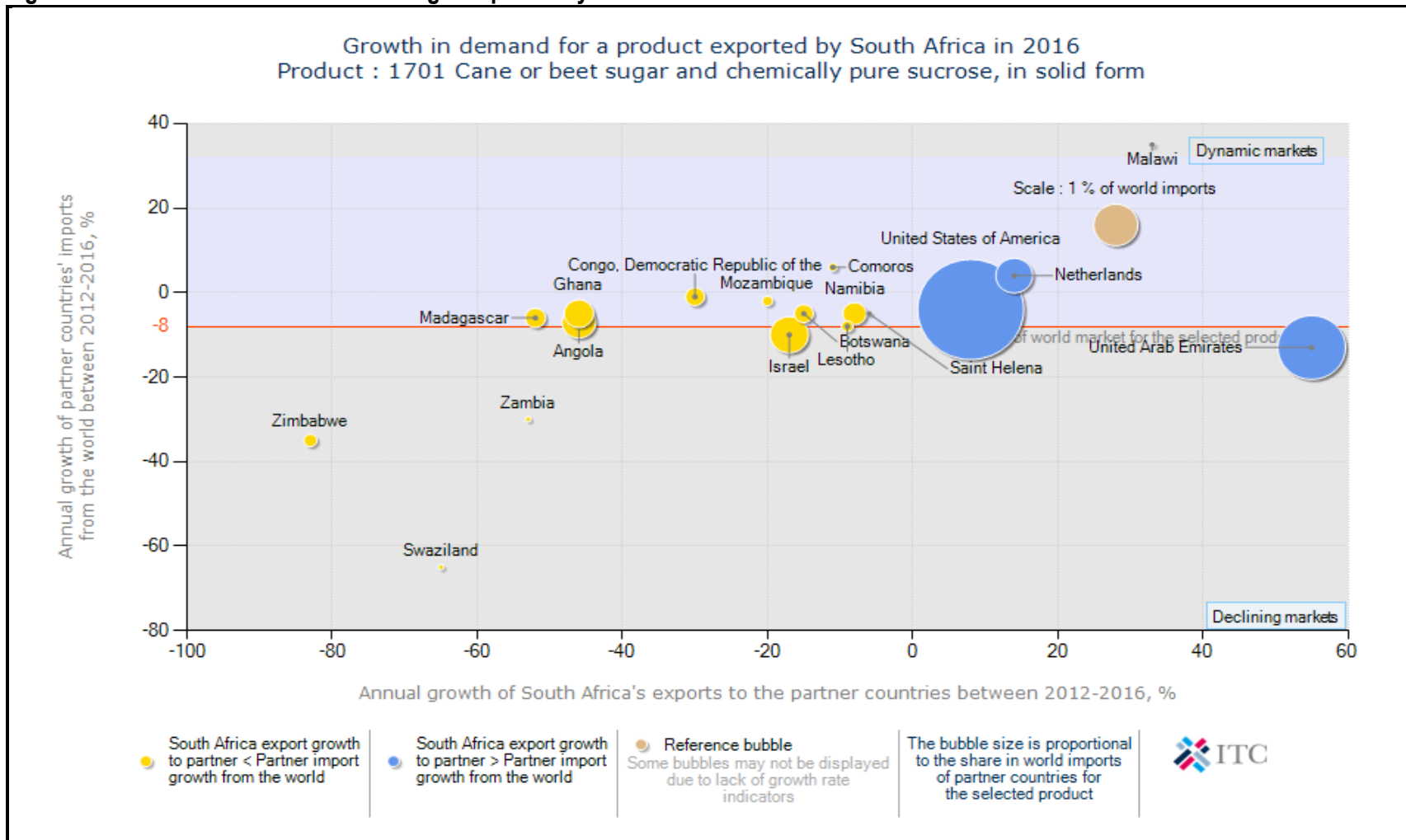
Importers	Trade indicators						Average tariff (estimated) faced by South Africa (%)
	Value exported in 2016 (USD thousand)	Share in South Africa's exports (%)	Quantity exported in 2016	Growth in exported value between 2012-2016 (% , p.a.)	Growth in exported quantity between 2012-2016 (% , p.a.)	Growth in exported value between 2015-2016 (% , p.a.)	
World	139437	100	248587	-27	-15	34	
Namibia	56422	40.5	104005	-8	-2	81	0
Botswana	30318	21.7	50159	-15	-11	32	0
Mozambique	18786	13.5	33631	-20	-18	-20	
United States of America	14406	10.3	23121	8	6	788	
Lesotho	9701	7	18945	-9	-2	24	0
Angola	3047	2.2	5755	-46	-43	4	
Comoros	1259	0.9	2588	-11	-1	-45	0
Congo, Democratic Republic of the	1125	0.8	2301	-30	-44	225	20
France	1040	0.7	1978			-6	41.1
Madagascar	780	0.6	1830	-52	-47	-72	5
Area Nes	650	0.5	1523	-39	-33	15	
Swaziland	481	0.3	547	-65	-67	35	0
Ghana	445	0.3	1213	-46	-41	2681	
Israel	392	0.3	619	-17	-11	-14	0
Netherlands	82	0.1	25	14	29	1540	41.1
Zambia	78	0.1	49	-53	-55	-26	0
Malawi	62	0	27	33	40	-41	

Source: ITC Trade Map

Figure 29 shows growth in demand for cane sugar exported by South Africa to the world in 2016. Israel, United Arab Emirates and United States of America were the biggest markets of cane sugar exported by South Africa in 2016. South Africa's sugar exports to Netherlands, United Arab Emirates and Botswana were all growing at a rate that is greater than their imports from the rest of the world between 2012 and 2016.

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 cane sugar to Angola were growing at a slower pace as compared to imports from the world at approximately 7% between 2012 and 2016. South Africa's annual growth exports to Namibia were declining at -8% and -2% respectively between 2012 and 2016.

Figure 29: Growth in demand for cane sugar exported by South Africa in 2016



Source: ITC Trade Map

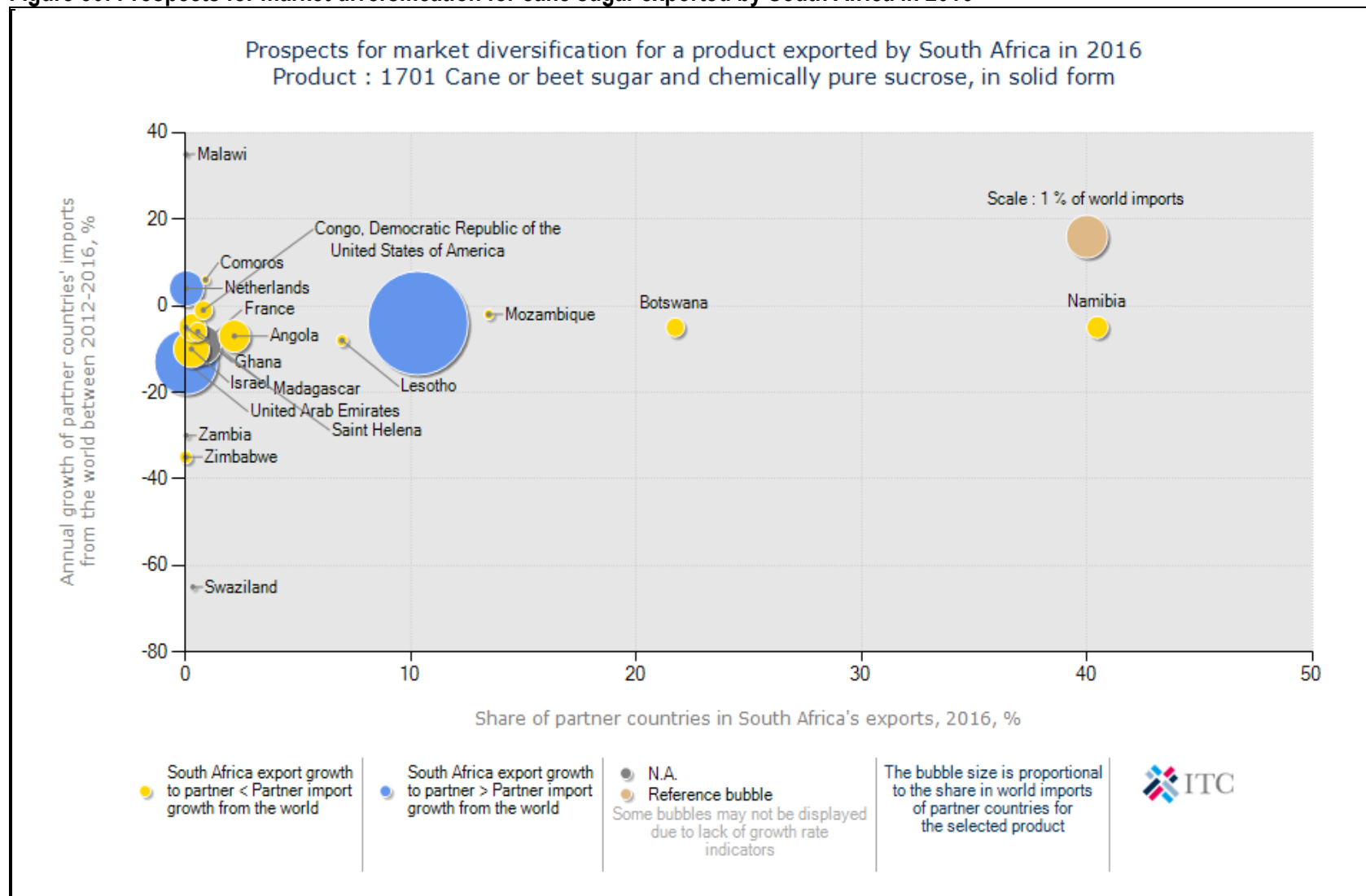
Figure 30 indicates prospects for market diversification for cane sugar exported by South Africa to the world in 2016. The bubble graph indicates that in world terms, the United States of America, United Arab Emirates and Israel were the biggest markets of cane sugar. The graph indicates that if South Africa has to diversify its markets of cane sugar, small and attractive markets exist in Malawi, the Comoros, Mozambique and Netherlands.

Namibia remains as a traditional market for South Africa's cane sugar in 2016 because of the size of the bubble graph that indicates the main world importers with over 104 000 tons of cane sugar and with a world market share of 40.5% between 2012 and 2016.

In addition, the chart also indicates that countries such as Lesotho, Angola and Mozambique have experienced a positive and notable market share of South Africa's exports of cane sugar at approximately between 2.2% and 13.5% during 2012 and 2016. It is also important to note that growth by countries such as Botswana, Comoros and Lesotho has been off a low base, but they represent possible markets for South Africa's cane sugar.



**Figure 30: Prospects for market diversification for cane sugar exported by South Africa in 2016**



Source: ITC Trade Map

Table 14 depicts the list of supplying markets for raw sugar cane imported by South Africa from various regions in 2016. As shown in the table, South Africa imported a total of 560 077 tons of raw sugar cane from the world during 2016. The value of South Africa's imports of raw sugar cane from the world decreased in 2016 by 8% as compared to 2015. The greatest volumes of raw sugar cane were imported from Swaziland, followed by Brazil and small quantities from the United Arab Emirates accounting for 61.6%, 20.7%, and 4.3%, respectively of South Africa's sugar imports in 2016. Swaziland was the main exporter of raw sugar cane from Africa into South Africa in 2016. Swaziland sugar exports to South Africa experienced a decline in value of 6%, while quantity increased by 3% between 2012 and 2016, and the growth of the average world market over the same period was 8% in value and 2% in quantity.

Zimbabwe and France were the most competitive suppliers of raw sugar cane into South Africa during 2016, followed by Switzerland and Zambia. Countries such as the United Kingdom, Thailand and China supplied South Africa with very low volumes of sugar of not more than 1 000 tons each during 2016.

**Table 14: List of supplying markets for raw sugar, cane imported by South Africa in 2016**

Exporters	Trade indicators						Average tariff (estimated) applied by South Africa (%)
	Value imported in 2016 (USD thousand)	Share in South Africa's imports (%)	Quantity imported in 2016	Growth in imported value between 2012-2016 (% p.a.)	Growth in imported quantity between 2012-2016 (% p.a.)	Growth in imported value between 2015-2016 (% p.a.)	
World	306144	100	560077	-8	-2	96	
Swaziland	188730	61.6	340727	-6	3	120	0
Brazil	63225	20.7	119613	-22	-18	42	8.3
United Arab Emirates	13141	4.3	24313	90	111	3471	8.3
Argentina	10574	3.5	20000				8.3
Switzerland	8796	2.9	15254	212	320	41786	8.3
France	6308	2.1	10135	260	349	157600	8.3
Malawi	2788	0.9	5249			-56	8.3
Malaysia	2027	0.7	4651	-13	-13		8.3
Zambia	1721	0.6	4007	500	182	-84	8.3
Poland	1601	0.5	3670				8.3
Czech Republic	1447	0.5	2735				8.3
Ukraine	921	0.3	1820				8.3
Egypt	664	0.2	1200				8.3
Guatemala	609	0.2	1193				8.3
Zimbabwe	541	0.2	1069	252	472		8.3
Area Nes	518	0.2	895	237	366	-46	
United Kingdom	508	0.2	526	19	28	471	8.3
Thailand	356	0.1	636	-51	-48	-79	8.3
China	311	0.1	15	9	32	5083	8.3

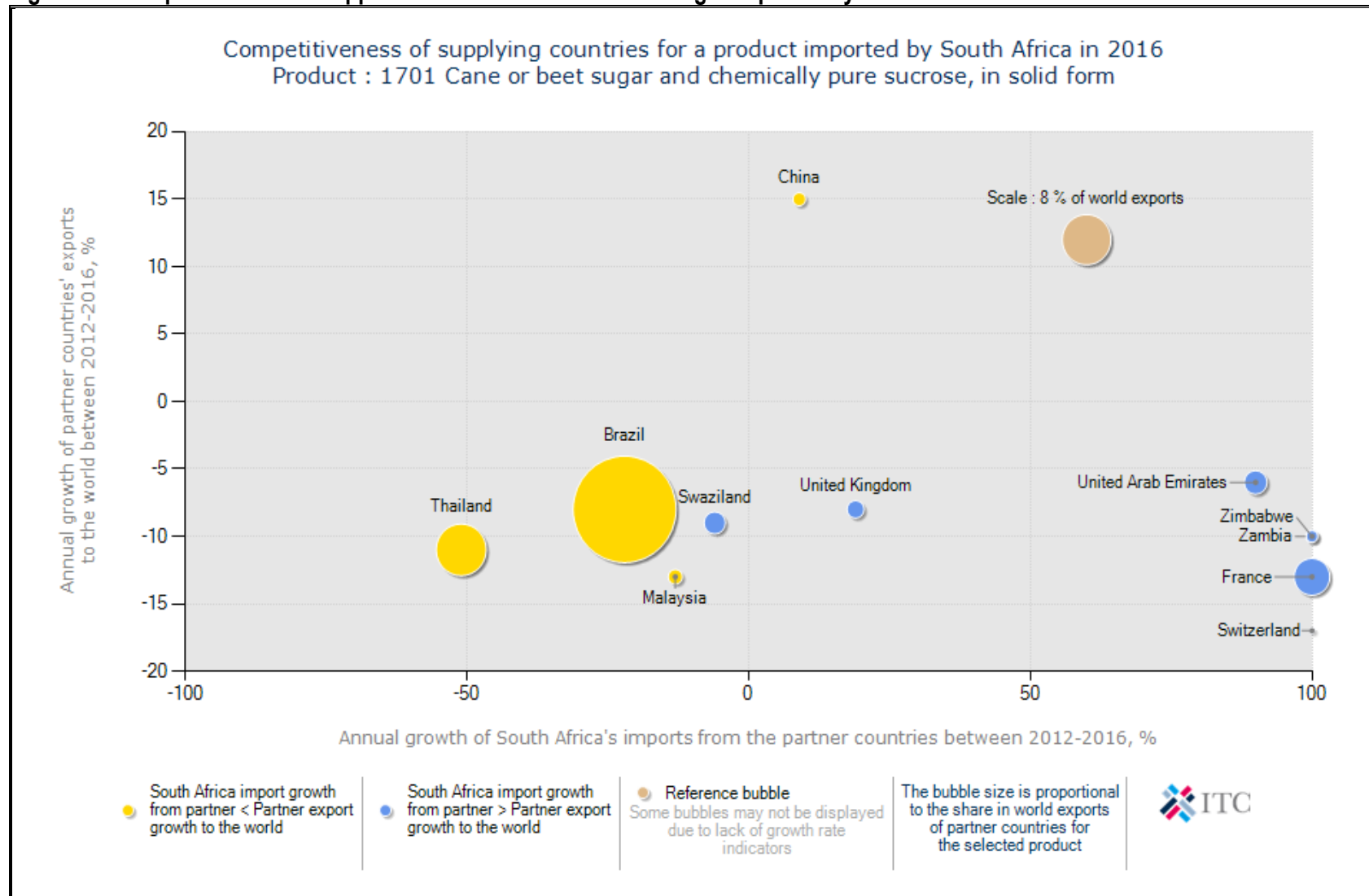
Source: ITC Trade Map

Figure 31 illustrates competitiveness of suppliers to South Africa for raw sugar cane imports from the world in 2016. The bubble graph illustrates that Brazil and Swaziland were the main suppliers of raw sugar cane from the world in 2016 supplying approximately 119 613 and 340 727 tons respectively. Between 2012 and 2016, the most competitive suppliers of raw sugar cane from the world into South Africa were Zambia and Zimbabwe, followed by France, Switzerland, United Arab Emirates and United Kingdom.

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 annual growth imports value for raw sugar cane from France and United Arab Emirates were growing faster than world's imports rate at between 260% and 90% respectively as compared to world imports value of about -8% between 2012 and 2016, and
- South Africa's annual growth imports value for raw sugar cane from Germany and United Kingdom were declining at a faster pace of between -22% and -51% than the world's imports that were declining slower at -8% over the same period.

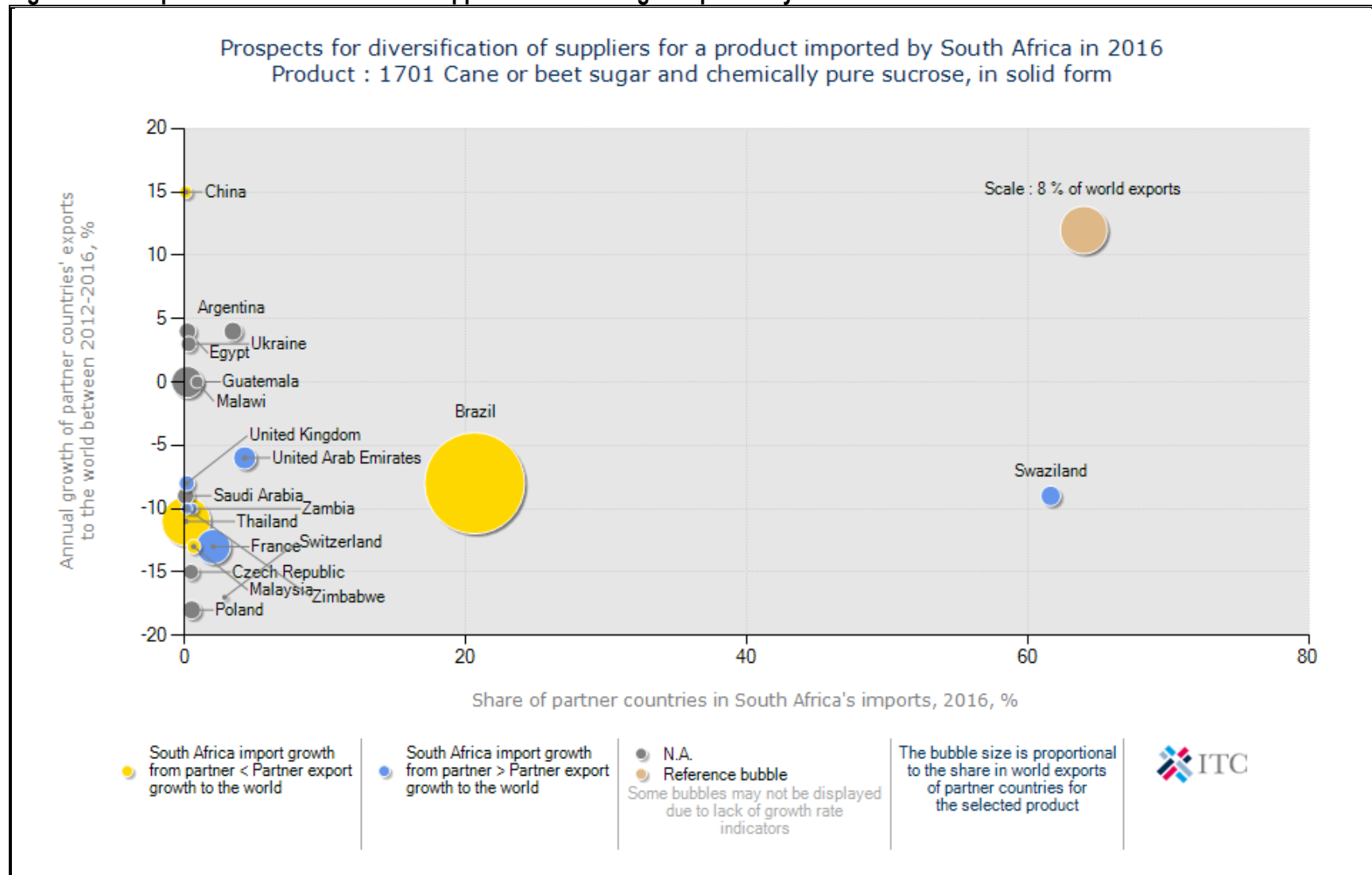
**Figure 31: Competitiveness of suppliers to South Africa for cane sugar imported by RSA in 2016**



Source: ITC Trade Map

Figure 32 shows prospects for diversification of suppliers for raw sugar cane imported by South Africa from the world in 2016. In world terms, the biggest supplier of raw sugar cane from the world into South Africa was Swaziland and Brazil over the same period under examination. If South Africa had to diversify its suppliers of raw sugar cane, small and attractive markets exist in France, Switzerland and the United Rab Emirates. During 2016 marketing season, Swaziland exported more of raw sugar cane to South Africa than to the rest of the world of approximately 340 727 tons as compared to what the world exported to South Africa at about 560 077 tons. However, the chart also shows that Swaziland experienced a greater market share in South Africa's imports of raw sugar cane at approximately 61.6% in 2016 as compared to Brazil at about 20.7% over the same period.

Figure 32: Prospects for diversification of suppliers for cane sugar imported by South Africa in 2016



Source: ITC Trade Map

## **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*, is 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 80 000 ha of land in the sugar industry over and above the 31 000 ha 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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### **Tongaath-Hulett Sugar Refinery**

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**Dalton Mill**

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**Gledhow Sugar Company**

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**Contact Person: Kay Naude**

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**Transvaal Sugar Limited (TSB)**

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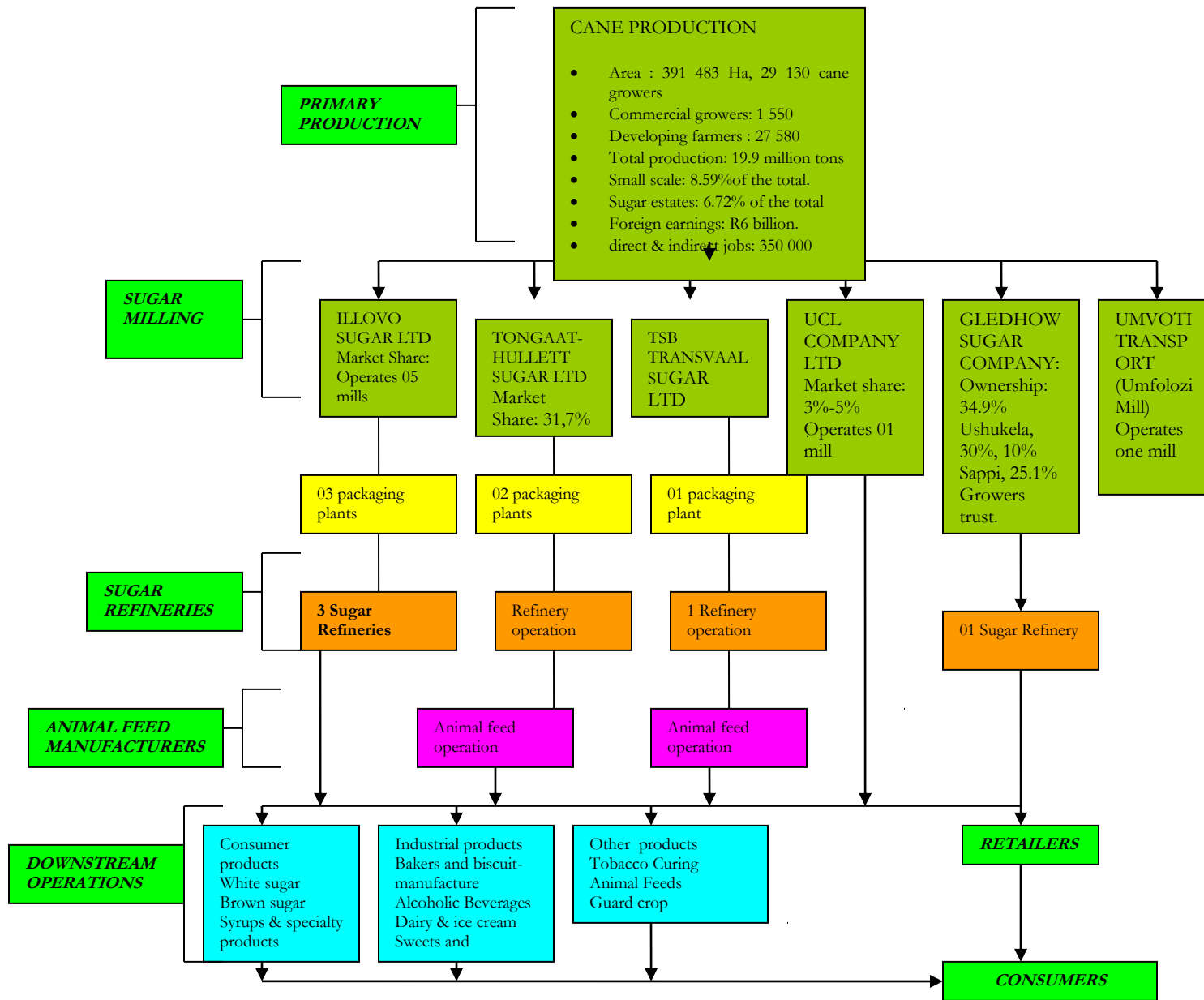
Malelane

1320

**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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**ITC Market Access Map**

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

**ITC Trade Map**

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

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