A PROFILE OF THE SOUTH AFRICAN SUGAR MARKET VALUE CHAIN

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Table of contents

1. DESCRIPTION OF THE INDUSTRY 3
   1.1 Production Areas 4
   1.2 Production 5
   1.3 Employment 7

2. MARKETING STRUCTURE 7
   2.1 Domestic Market and Domestic Sugar Prices 7

3. EXPORTS VOLUMES OF RAW SUGAR CANE 9
   3.1 Share Analysis 30

4. IMPORT VOLUMES OF CANE SUGAR FROM THE WORLD 33

5. SUGAR INDUSTRY STRUCTURE, PROCESSING AND MILLING 37
   5.1 Marketing Arrangements 38

6. MARKET VALUE CHAIN 39

7. MARKET ACCESS 40
   7.1 Tariffs 40

8. MARKET INTELLIGENCE 44

9. ORGANIZATIONAL ANALYSIS 55
   9.1 EMPOWERMENT AND TRANSFORMATION 55
   9.2 BUSINESS OPPORTUNITIES AND CHALLENGES 55

10. SUGAR MILLERS IN SOUTH AFRICA 56

11. ACKNOWLEDGEMENTS 60
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, 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, high employment, and 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 R5.1 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 2006/07 and 2015/16.

The figure further shows that 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 figure further indicates that the contribution of sugar to the gross value of sugar production consistently increased to about R5.9 million until a peak was attained in 2013/14 at approximately R7.9 million. A slight decline in the contribution of sugar to the gross value of production during 2014/15 was recorded at R 7.7 million and can be attributed to a decline in rainfall across the entire major sugar producing regions. The figure indicates that there was a decrease in the gross of sugar in South Africa in 2015/16 of 12.7% as compared to 2014/15 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 430 000 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 20 million tons of sugarcane have been produced and crushed during 2014/15 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 is likely to continue doing so as the companies promote black farming development.

Figure 2 shows sugar cane production in South Africa during 2015. The figure further shows that 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.

Table 1 below depicts the total crop area under sugar cane in hectares between 2006/07 and 2015/16.
Table 1: Total crop area under sugarcane (ha) between 2006/07 and 2015/16

<table>
<thead>
<tr>
<th>Period of Years</th>
<th>Hectares ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/06</td>
<td>423 960</td>
</tr>
<tr>
<td>2006/07</td>
<td>419 463</td>
</tr>
<tr>
<td>2007/08</td>
<td>412 979</td>
</tr>
<tr>
<td>2008/09</td>
<td>413 566</td>
</tr>
<tr>
<td>2009/10</td>
<td>382 000</td>
</tr>
<tr>
<td>2010/11</td>
<td>376 000</td>
</tr>
<tr>
<td>2011/12</td>
<td>267 301</td>
</tr>
<tr>
<td>2012/13</td>
<td>371 662</td>
</tr>
<tr>
<td>2013/14</td>
<td>378 922</td>
</tr>
<tr>
<td>2014/15</td>
<td>381 707</td>
</tr>
<tr>
<td>2015/16</td>
<td>383 000</td>
</tr>
</tbody>
</table>

Source: South African Sugar Association (SASA)

The table further depicts that the area owned by large scale growers decreased from 419 463 to 383 000 ha between 2006/07 and 2015/16 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 (382 000 ha) to a level closer to the 2011/12 season which saw a further dramatic decline of about 267 301 hectares. In 2015/16 season, the total crop area under sugarcane has increase by less than 1% as compared to 2014/15 season.

Table 2 below illustrates the area planted, cane production and sugar production in South Africa between 2006/07 and 2015/16 production season.

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Planted (1000ha)</td>
<td>420</td>
<td>423</td>
<td>389</td>
<td>382</td>
<td>376</td>
<td>376</td>
<td>372</td>
<td>382</td>
<td>385</td>
<td>383</td>
</tr>
<tr>
<td>Cane Production (1000 tons)</td>
<td>20278</td>
<td>19724</td>
<td>20986</td>
<td>20411</td>
<td>16016</td>
<td>16800</td>
<td>17278</td>
<td>20033</td>
<td>17756</td>
<td>14861</td>
</tr>
<tr>
<td>Production of sugar (1000 tons)</td>
<td>2235</td>
<td>2281</td>
<td>2269</td>
<td>2187</td>
<td>1909</td>
<td>1825</td>
<td>1951</td>
<td>2344</td>
<td>2110</td>
<td>1621</td>
</tr>
</tbody>
</table>

Source: Statistics & Economic Analysis and SASA

The table further illustrates that in 2005/06, the area planted to sugar cane was at 428 000 hectares leading to the production of 21 052 000 tons of sugar cane. Between 2009/10 and 2010/11, the area planted decreased marginally by 6000 ha causing a decline in sugar cane production of about 4 395 000 tons. Table 2 further illustrates 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 2006/07 and 2007/08 has remained constant at around 420 000 and 423 000 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. Table 2 also shows that 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 2015/16, area planted of sugarcane in South Africa declined by less than 1% as compared to the previous season 2014/15.

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.

![Figure 3: Average producer prices of sugar paid to growers in South Africa](image)

Source: Statistics & Economic Analysis, DAFF

Figure 3 shows domestic prices paid to growers between 2006/07 and 2015/16 marketing season. The figure further shows that prices paid to growers during the period under examination increased at an increasing rate until a peak was attained in 2015/16 season at approximately R452.11 per ton.

Table 3 below illustrates that domestic sugar prices paid to growers between 2006/07 and 2015/16 in terms of recoverable value (RV) price against sugar cane price.

Outlined in Table 3 below, are recent recoverable value (RV) prices paid by millers to growers together with the cane price at average recoverable values for the industry over a ten year period.

**Table 3: Prices paid to growers (2006/07 – 2015/16)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Recoverable Value (RV) Price</th>
<th>Cane Price (R/ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>1701.86</td>
<td>198.78</td>
</tr>
<tr>
<td>2007-2008</td>
<td>1701.90</td>
<td>208.82</td>
</tr>
</tbody>
</table>
The table further illustrates that prices paid to growers of sugar on a recoverable value basis increased substantially between 2006/07 and 2015/16, 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.

The table further illustrates that between 2006/07 and 2015/16, the recoverable value increased from R1 701.86 to R3 979.22 of the period under examination. The table also illustrates that between 2012/13 and 2013/2014, there was a consistent decline in cane prices from R3197.32 to R3137.87 of the period under review. The table further illustrates that from 2014/15 to 2015/16, there was a consistent increase in sugar cane prices of approximately R3 358.02 per ton to R 3 979.22 per ton.

3. EXPORTS 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 such as 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 the 2015. The pie chart further illustrates over the same period, most of South African sugar was exported to Namibia 30.1%, Mozambique at 26%, Indonesia 11%, Zimbabwe 11%, Japan 11%, Bangladesh at 6%, Angola at 5% and United States of America at 6% other countries at 18% respectively during the period under scrutiny. The greatest percentage / share of South African raw sugar cane exports during this period went to Mozambique during the period under review.

The South African sugar industry exports more than 75% of its sugar production, and is generally amongst the top ten sugar exporters in the world. Raw sugar cane exports are predominantly to Asia, 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 below depicts export volumes of cane sugar from South Africa to various regions between 2006 and 2015.
The graph further depicts that the major export market destination for South African cane sugar exports to the world was Asia, followed by Africa over the past decade. The graph also depicts that exports of raw sugar from South Africa to Asia were from a high base during the first half of the ten year period attaining a peak in 2006 at approximately 467 479 tons. During the second half of the same period under review, exports of raw sugar from South Africa to the Asia were from a low base with maximum exports of about 219 362 tons in 2011. 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 Africa raw sugar until 2015. Exports of raw sugar are largely affected by the value of 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. The graph depicts the decrease of 84.4% in 2015 raw sugar exports to Africa as compared to 2014 marketing season

Figure 6 below shows export volumes of cane sugar from South Africa to Africa between 2006 and 2015.

Source: Quantec EasyData
The figure further shows that the major export market destination for South African cane sugar to Africa was SADC, followed by SACU, Northern, Eastern, Middle and Western Africa. The figure also shows that the largest export volumes of raw sugar from South Africa to SADC were recorded in 2006 and 2007 at export quantities of approximately 167 854 and 183 468 tons respectively. From 2010 to 2014 SACU dominated as the market destination for South African raw sugar reaching the peak in 2010 at about 170 346 tons. Exports of raw sugar from South Africa to the world are largely affected by the value of rand against other currencies, local production; supply and demand in the neighbouring states. Northern, Eastern, Western and Middle Africa had very low levels of raw sugar intakes from South Africa of not more than 25 000 tons per annum over the same period under review. The figure also shows that there was a 99.8% decrease in export volumes of raw sugar from South Africa to the SADC region in 2015 as compared to 2014 marketing season.

Figure 7 below indicates export volumes of cane sugar from South Africa to the SADC region between 2006 and 2015.
The figure further indicates that the major export market destination for South African cane sugar to SADC was Mozambique, followed by very intermittent exports to Zimbabwe, Zambia and DRC over the past decade. The figure also indicates that 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 25 508 tons in 2011. The figure further indicates that 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. The figure also indicates that in 2015, there was a substantial decline of 99.93% in export volumes of cane sugar from South Africa to Mozambique as compared to 2014.

Figure 8 below illustrates export volumes of cane sugar from South Africa to the Americas between 2006 and 2015.
The graph further illustrates that the major export market destination for South African raw sugar exports to Americas was NAFTA over the past ten years, followed by very low exports to the Caribbean and Central America. The figure also illustrates that the largest export volumes of raw sugar from South Africa to NAFTA were recorded in 2009 and 2011 at export quantities of approximately 45 674 tons and 14 565 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 2015, there was a 100% decline in export volumes of raw sugar from South Africa to NAFTA as compared to 2011 marketing season.

Figure 10 below depicts export volumes of cane sugar from South Africa to NAFTA between 2006 and 2015.
The figure further depicts that the major export market destination for South African cane sugar exports to NAFTA was United States during the period under review, with very limited exports to Canada. The figure also depicts that the largest volumes of raw sugar exports from South Africa to United States were recorded in 2009 and 2012 at export quantities of approximately 45 667 tons and 23 216 tons respectively. Exports of raw sugar cane from South Africa to the world are largely affected by the value of rand against other currencies, local production; supply and demand in the neighbouring states. Over the past decade, Canada had a very low intake of raw sugar exports from South Africa of not more than 78 tons per annum. The figure further depicts that there was a 100% decrease in export volumes of raw sugar from South Africa to the United States in 2015 as compared to 2012 marketing season.

Figure 11 below shows export volumes of sugar cane from South Africa to Asia between 2006 and 2015.

![Figure 11: Export volumes of cane sugar to Asia](source: Quantec EasyData)

The graph further shows that the major export market destination for cane sugar cane from South Africa to Asia was Eastern Asia, followed by South-central Asia and South-eastern Asia over the past decade (2006-2015). The figure also shows that the largest volumes of cane sugar exports from South Africa to Eastern Asia were recorded in 2006 and 2008 at export quantities of approximately 206 270 tons and 259 250 tons respectively. Exports of cane sugar cane from South Africa to the world are largely affected by the value of rand against other currencies, local production; supply and demand in the neighbouring states. South-central Asia obtained its peak of exports of cane sugar from South Africa in 2006 at an export quantity of about 311 900 tons. South-eastern Asia obtained its peak of cane sugar exports from South Africa in 2009 at an export quantity of about 186 130 tons during the period under scrutiny. The graph also shows that 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 2011 and 2012. During 2015 there was a 100% decline in export volumes of cane sugar from South Africa to Eastern Asia as compared to 2012 marketing season.
Figure 12 below indicates export volumes of cane sugar to Eastern Asia between 2006 and 2015.

![Figure 12: Export volumes of cane sugar to Eastern Asia](image)

Source: Quantec EasyData

The figure further indicates that the major export market destination for cane sugar from South Africa to Eastern Asia was Japan, followed by Republic of Korea and China. The figure also indicates that over the past decade, Japan dominated exports of cane sugar Africa until there were no exports of sugar between 2013 and 2015. The figure further indicates that exports of raw sugar from South Africa to Japan attained a peak in 2008 at an export quantity of approximately 154 250 tons, while Republic of Korea attained a peak also in 2006 and 2008 at approximately 105 000. Figure 11 also indicates that there was a 100% decline in export volumes of cane sugar from South Africa to Japan in 2015 as compared to 2012 marketing season, and there was a 100% decline in export volumes of cane sugar from South Africa to Republic of Korea in 2015 as compared to 2009 marketing season.

Figure 132 below illustrates export volumes of cane sugar to Europe between 2006 and 2015.
The graph further illustrates that export volumes of cane sugar from South Africa to Europe landed mainly in Eastern Europe, followed by European Union over the past decade. The figure also illustrates that the largest volumes of exports of raw sugar from South Africa to Eastern Europe were recorded in 2006 and 2009 at approximately 18 440 and 25 000 tons respectively. The largest volumes of exports of raw sugar from South Africa to the European Union were recorded in 2007 at approximately 26 466 tons. Export volumes of sugar cane are largely affected by the value of rand against other currencies, local production; supply and demand in the neighbouring states. The figure also illustrates that there was no growth in export volumes of raw sugar from South Africa to Eastern Europe in 2015 as compared to 2009 marketing season, and there was a 100% decrease in export volumes of raw sugar from South Africa to the European Union in 2015 as compared to 2007 marketing season.

Figure 14 depicts export volumes of cane sugar to European Union between 2006 and 2015.
The figure further depicts that export volumes of cane sugar from South Africa to the European Union went to France over the past decade (2006-2015). The figure also depicts that exports volumes of cane sugar cane from South Africa to France started to increase substantially in 2007 and at the same time attained a peak at approximately 25 355 tons over the past decade under review. The figure further depicts that in 2006 and again between 2008 and 2015, there were no record of export volumes of cane sugar cane from South Africa to France. The figure also depicts that 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 2015, there was no growth in export volumes of cane sugar from South Africa to France as compared to 2007 marketing season, while there was also no growth (0.00%) of cane sugar cane exports from South Africa to Germany in 2015 as compared to 2007 marketing season.

Figure 15 below shows export volumes of cane sugar to Eastern Europe between 2006 and 2015.

![Figure 15: Export volumes of cane sugar to Eastern Europe](image)

Source: Quantec EasyData

The graph further shows that the major export market destination for cane sugar cane from South Africa to Eastern Europe was Russian Federation with no competition from other Eastern European regions over the past decade (2006-2015). The figure also shows that exports of cane sugar from South Africa to Russian Federation started to increase substantially in 2006 at about 18 440 tons, until a peak was attained in 2009 at approximately 25 000 tons. Exports of cane sugar from South Africa to the world are largely affected by the value of rand against other currencies, local production; supply and demand in the neighbouring states. The figure further shows that during 2005 and between 2007 and 2008, and between 2010 and 2015, there were no cane sugar exports from South Africa to Russian Federation. The figure also shows that there was no growth (0.00%) in export volumes of raw sugar cane from South Africa to Russian Federation in 2015 as compared to 2009 marketing season.

Figure 16 indicates export value of cane sugar by Provinces to the world between 2006 and 2015.
Figure 16: 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 (2006-2015) was KwaZulu-Natal Province, followed by Mpumalanga Province. 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 2006 and peak was attained in 2006 and 2009 at approximately R1.73 and R1.71 billion respectively. Cane sugar exports from Mpumalanga province to the world have been irregular and very low during the period between 2006 and 2015, 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 small 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 2015 as compared to 2014 marketing decreased by 72.5% and 4.7% from Western Cape and Gauteng respectively. The figure further indicates that there was 35.6% increase in exports of cane sugar from KwaZulu-Natal province to the world in 2015 as compared to 2014 marketing season.

Figure 18 below illustrates value of cane sugar from Western Cape Province to the world between 2006 and 2015.
<table>
<thead>
<tr>
<th>Years</th>
<th>City of Cape Town</th>
<th>West Coast</th>
<th>Overberg</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>672890</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>19253502</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>17713818</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>34043319</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>2307448</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>660828</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>98051</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2013</td>
<td>82111</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>215490</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>51140</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Quan tec EasyData
The graph further illustrates that 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. The graph also illustrates that between 2012 and 2015, and cane sugar exports from the City of Cape Town Metro to the world experienced very low levels of trade of not more than R100 000. The graph further illustrates that from 2010 to 2011, there was a decline in exports of cane sugar from City of Cape Town Metro to the world until decent exports were experienced again in 2012 at R98 051. West Coast and Cape Winelands Districts had very intermittent exports of cane sugar from South Africa to the world during the period under review. The graph also illustrates that there was 76.3% decline in exports of cane sugar from the City of Cape Town Metro to the world in 2015 as compared to 2014 marketing season.

Figure 19 below depicts value of cane sugar from Eastern Cape Province to the world between 2006 and 2015.

![Figure 19: Value of cane sugar exports by Eastern Cape Province](image)

Source: Quantec EasyData

The graph further depicts that Nelson Mandela Metropolitan Municipality commanded greatest market share of cane sugar exports from Eastern Cape Province to the world over the past decade. Nelson Mandela Metro Municipality dominated cane sugar export market from 2006 to 2015 until a peak was attained in 2008 at approximately R42 315. The graph shows that were huge increase of cane sugar export from Alfred Nzo Municipality, reaching a peak of R118. The graph also depicts that there were no exports of cane sugar from Alfred Nzo District Municipality to the world from 2006 marketing season to 2014 marketing season. In 2015, there was a more 100% increase in exports of cane sugar from Alfred Nzo District Municipality and there was 100% decline in exports of cane sugar from Nelson Mandela Metro Municipality to the world as compared to 2014 marketing season.

Figure 20 below illustrates value of cane sugar from KwaZulu-Natal Province to the world between 2006 and 2015.
Figure 20: Value of cane sugar exports by KwaZulu-Natal Province

Source: Quantec EasyData
The graph further illustrates that eThekwini Metropolitan Municipality recorded greater export values of cane sugar from KwaZulu-Natal Province to the world over the past decade, followed by very intermittent exports from iLembe District Municipality. The graph also illustrates that exports of cane sugar from eThekwini Metropolitan Municipality to the world were from a high base during the first half of the ten year period however attaining a peak in second half of the ten year period in 2015 at approximately R18 million. In 2009 exports of cane sugar from eThekwini Metropolitan Municipality attained a peak in the first half of 10 year period of 1.7 billion in 2006. The graph further illustrates that exports of cane sugar from UMgungundlovu District Municipality to the world recorded low levels of cane sugar exports and attained a peak in 2008 at approximately R30 595. The graph also illustrates that iLembe, Ugu, UMgungundlovu and UMkhanyakude District Municipalities had very low levels of cane sugar exports to the world of not more than R129 million per annum. The graph further illustrates that there was 86.4% decrease in exports of cane sugar from eThekwini Metropolitan municipality to the world in 2015 as compared to 2014 marketing season, while there was also a 100% decrease in exports of cane sugar from UMgungundlovu District Municipality to the world in 2015 as compared to 2012 marketing season.

Figure 21 below illustrates value of cane sugar from Gauteng Province to the world between 2006 and 2015.
Figure 21: Value of cane sugar exports by Gauteng Province

Source: Quantec EasyData
The graph further illustrates that 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. The graph also illustrates that 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 of cane sugar from the City of Johannesburg Metropolitan Municipality to the world were from a high base attaining a peak in 2011 of R702 million. The graph further illustrates that cane sugar exports from Ekurhuleni Metro Municipality to the world were recorded in 2011 at about 19.9 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 of not more than R2 million per annum. The graph also shows that there was 8.19% decline in exports of cane sugar from the City of Johannesburg Metro Municipality to the world in 2015 as compared to 2014 marketing season.

Figure 22 depicts value of cane sugar from Mpumalanga Province to the world between 2006 and 2015.
Figure 22: Value of cane sugar exports by Mpumalanga Province

Source: Quantec EasyData
The figure further depicts that Ehlanzeni District Municipality commanded greatest market share of cane sugar exports from Mpumalanga Province to the world during the period under scrutiny. The figure also depicts that exports of cane from Ehlanzeni District Municipality to the world were from a low base during the first four years of the ten year period attaining a peak in 2010 at about R486 million. From 2008 exports of cane sugar from Ehlanzeni District Municipality to the world were from a very high base attaining a peak in 2014 at approximately R384 million. The figure further depicts that between 2006 and 2007, there were no exports of cane sugar from Ehlanzeni District Municipality to the world. The figure also depicts that there was a more than 11.82% increase in exports of cane sugar from Ehlanzeni District Municipality to the world in 2015 as compared to 2014 marketing season.

Figure 23 illustrates value of cane sugar from Limpopo Province to the world between 2006 and 2015.
Figure 23: Value of cane sugar exports by Limpopo Province

<table>
<thead>
<tr>
<th>Years</th>
<th>Mopani</th>
<th>Vhembe</th>
<th>Capricorn</th>
<th>Waterberg</th>
<th>Greater Sekhukhune</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>2008</td>
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<td>0</td>
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<tr>
<td>2009</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>0</td>
<td>15191427</td>
<td>8916276</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
<td>0</td>
<td>5498653</td>
<td>935297</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>0</td>
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</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tbody>
</table>

Source: Quantec EasyData
The graph further illustrates that Vhembe District Municipality commanded greatest market share of cane sugar exports from Limpopo Province to the world, followed by low levels of cane sugar exports from Capricorn and Waterberg District Municipalities. The figure also illustrates that 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. The figure further illustrates that 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 2011 at approximately R5.49 million. In 2015, there was a more than 100% decrease in exports of cane sugar from Vhembe District Municipality to the world as compared to 2014 marketing season.

3.1 Share Analysis

Table 4 below illustrates the share of provincial cane sugar exports from provinces of South Africa to the world between 2006 and 2015. The KwaZulu-Natal province commanded the greatest market share in exports of cane sugar over the same period under review, while Mpumalanga province came in a second place in 2015 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 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.

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<tbody>
<tr>
<td>Province</td>
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</tr>
<tr>
<td>Western Cape</td>
<td>0.03</td>
<td>2.95</td>
<td>1.71</td>
<td>1.64</td>
<td>0.18</td>
<td>0.04</td>
<td>0.01</td>
<td>0.04</td>
<td>0.14</td>
<td>0.25</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>9.25</td>
<td>0.00</td>
<td>0.00</td>
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<td>3.97</td>
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<td>0.00</td>
<td>0.00</td>
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<tr>
<td>KwaZulu-Natal</td>
<td>99.4</td>
<td>79.6</td>
<td>71.9</td>
<td>82.7</td>
<td>18.9</td>
<td>19.4</td>
<td>68.3</td>
<td>57.6</td>
<td>95.7</td>
<td>81.3</td>
</tr>
<tr>
<td>Gauteng</td>
<td>0.48</td>
<td>17.3</td>
<td>1.18</td>
<td>1.75</td>
<td>48.1</td>
<td>52.2</td>
<td>25.1</td>
<td>41.8</td>
<td>1.60</td>
<td>5.54</td>
</tr>
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<td>Mpumalanga</td>
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<td>25.1</td>
<td>18.8</td>
<td>31.2</td>
<td>27.8</td>
<td>6.55</td>
<td>0.01</td>
<td>1.82</td>
<td>12.7</td>
</tr>
<tr>
<td>Limpopo</td>
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<td>0.02</td>
<td>0.01</td>
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<td>0.46</td>
<td>0.00</td>
<td>0.41</td>
<td>0.00</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData

Table 5 shows that City of Cape Town Metropolitan Municipality commanded greatest market share in terms of cane sugar exports from Western Cape Province between 2006 and 2015.
Table 5: Share of district sugar exports to the total Western Cape sugar exports (%)

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<tbody>
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<td>District</td>
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<tr>
<td>City of Cape Town</td>
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<td>100</td>
<td>100</td>
<td>81.4</td>
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<td>West Coast</td>
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<tr>
<td>Overberg</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData

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

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

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<tbody>
<tr>
<td>District</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nelson Mandela</td>
<td>100</td>
<td>0.00</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100.0</td>
<td>0.00</td>
</tr>
<tr>
<td>Alfred Nzo</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>7.56</td>
<td>0.14</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData

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

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

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<tbody>
<tr>
<td>District</td>
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</tr>
<tr>
<td>UMKhanyakude</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>5.5</td>
<td>1.98</td>
<td>0.12</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>iLembe District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>7.56</td>
<td>0.14</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>eThekweni Metro</td>
<td>100</td>
<td>100</td>
<td>99.99</td>
<td>92.43</td>
<td>94.34</td>
<td>98.01</td>
<td>99.87</td>
<td>100</td>
<td>99.80</td>
<td>99.99</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData
Table 8 shows that City of Johannesburg Metropolitan Municipality, followed by Ekurhuleni and Tshwane Metropolitan Municipalities commanded greatest market share 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 (%)**

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</thead>
<tbody>
<tr>
<td></td>
<td>West Rand District</td>
<td>0.00</td>
<td>0.00</td>
<td>0.29</td>
<td>1.18</td>
<td>0.00</td>
<td>6.85</td>
<td>0.00</td>
<td>0.00</td>
<td>0.83</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Ekurhuleni Metro</td>
<td>8.64</td>
<td>9.39</td>
<td>33.82</td>
<td>4.31</td>
<td>1.75</td>
<td>2.65</td>
<td>0.00</td>
<td>0.18</td>
<td>37.46</td>
<td>29.41</td>
</tr>
<tr>
<td></td>
<td>City of Johannesburg</td>
<td>87.21</td>
<td>90.59</td>
<td>61.63</td>
<td>55.83</td>
<td>98.07</td>
<td>97.31</td>
<td>99.85</td>
<td>99.65</td>
<td>19.85</td>
<td>33.27</td>
</tr>
<tr>
<td></td>
<td>City of Tshwane</td>
<td>4.13</td>
<td>0.01</td>
<td>4.24</td>
<td>38.65</td>
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<td>0.03</td>
<td>0.14</td>
<td>0.16</td>
<td>41.02</td>
<td>37.31</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData

Table 9 shows that Ehlanzeni District Municipality commanded 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 the total Mpumalanga provincial sugar exports (%)**

<table>
<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td>Ehlanzeni District</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec EasyData

Table 10 shows that Vhembe District Municipality commanded 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 (%)**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vhembe District</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
<td>63.01</td>
<td>85.46</td>
<td>0.00</td>
<td>100</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Capricorn</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
<td>36.98</td>
<td>14.53</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>100</td>
</tr>
</tbody>
</table>
4. IMPORT VOLUMES OF CANE SUGAR FROM THE WORLD

Figure 24 below depicts import volumes of cane sugar from various regions into South Africa between 2006 and 2015. Generally, the figure below indicates that the highest volumes of cane sugar from the world to South Africa were mainly from Africa and Americas over the same period.

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. The graph also depicts that imports of cane sugar from Africa into South Africa were from a low base during the first half of the ten year period attaining a peak in 2010 approximately 149427 tons. During the second half of the same period, import volumes of cane sugar from Africa into South Africa were from a high base attaining a peak in 2015 at approximately 206 177 tons. Import volumes of cane sugar from Americas into South Africa attained a peak in 2008 at approximately 95 000 tons. The figure also depicts that there was a 2.3 increase in imports of cane sugar from Africa into South Africa in 2015 as compared to 2014 marketing season.
Figure 25 below indicates import volumes of cane sugar from Africa into South Africa between 2006 and 2015.

![Graph showing import volumes of cane sugar from Africa](image)

Source: Quantec EasyData

The figure further indicates that imports of cane sugar from Africa into South Africa originated mainly in the SACU region during the period under examination, particularly from Swaziland. The figure also shows that there were minimal volumes of not more than 9000 tons per annum originating from SADC over the same period. The figure further indicates that 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 2010 at approximately 149 000 tons. During the second half of the same period, import volumes of cane sugar from SACU region into South Africa were from a high base attaining a peak in 2015 at about 206 177 tons. The figure also indicates that 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. The graph further indicates that there was a 2.33% increase in imports of cane sugar from the SACU region into South Africa in 2015 as compared to 2014 marketing season.

Figure 26 below illustrates import volumes of cane sugar Americas into South Africa between 2006 and 2015.
The graph further shows that South America commanded greatest market share in terms of imports of cane sugar from Americas into South Africa during the period under examination particularly Brazil in South America. 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 during the period under review. 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. Import volumes of cane sugar from NAFTA into South Africa also attained a peak in 2008 of 58 tons. The figure also shows that there was a 6.01% increase in imports of cane sugar from South America into South Africa in 2015 as compared to 2014 marketing season.

Figure 27 illustrates import volumes of cane sugar from Asia into South Africa between 2006 and 2015.
The graph further illustrates that cane sugar imports from Asia into South Africa originated mainly in South-central Asia, followed by South-eastern Asia during the period under review. The graph also illustrates that 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. Import volumes of cane sugar from South-eastern Asia into South Africa attained a peak in 2013 at approximately 2 250 tons. The graph further illustrates that import volumes of cane sugar from Eastern and Western Asia into South Africa had very intermittent import volumes of cane sugar of not more than 1 132 tons per annum. During 2015, there was no growth (0.00%) in imports of cane sugar from South-central Asia into South Africa as compared to 2014 marketing season.

Figure 28 below illustrates import volumes of cane sugar from Europe into South Africa between 2006 and 2015.
The figure further illustrates that Western Europe Rest was the main supplier of cane sugar imports from Europe into South Africa during the period under review. The figure also illustrates that imports of cane sugar from Western Europe Rest into South Africa started to increase in 2006 and at the same time attained a peak at approximately 6500 tons. The figure further illustrates that imports of cane sugar from European Union into South Africa were very intermittent between 2006 and 2015 and not more than 350 tons per annum. The figure further illustrates there was no growth (0.00%) in imports of cane sugar from Western Europe Rest into South Africa in 2015 as compared to 2014 marketing season.

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-Hulet 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.

**Umfolozi Sugar Mill (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 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.

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

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

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 (markets) to the exports of cane sugar originating from the Republic of South Africa in 2015.

<table>
<thead>
<tr>
<th>COUNTRY (Importer)</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME DESCRIPTION</th>
<th>APPLIED TARIFFS</th>
<th>AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Namibia</td>
<td>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</td>
<td>Intra SACU rate</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>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</td>
<td>MFN duties (Applied)</td>
<td>7.50%</td>
<td>7.50%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>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</td>
<td>MFN duties (Applied)</td>
<td>51.70$/Ton</td>
<td>9.37%</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>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</td>
<td>MFN duties (Applied)</td>
<td>24.01%</td>
<td>24.01%</td>
</tr>
<tr>
<td>United States of America</td>
<td>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</td>
<td>MFN duties (Applied)</td>
<td>1.4606 cents/kg</td>
<td>1.4606 cents/kg</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferential tariff for GSP countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Preferential tariff for AGOA countries</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Japan</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form: raw sugar not containing added flavouring or colouring matter: cane sugar specified</td>
<td>MFN duties (Applied)</td>
<td>344.60 $/Ton</td>
<td>44.74%</td>
</tr>
<tr>
<td>COUNTRY (Importer)</td>
<td>PRODUCT DESCRIPTION</td>
<td>TRADE REGIME DESCRIPTION</td>
<td>APPLIED TARIFFS</td>
<td>AD VALOREM EQUIVALENT OF SPECIFIC APPLIED TARIFF</td>
</tr>
<tr>
<td>------------------</td>
<td>---------------------</td>
<td>--------------------------</td>
<td>-----------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>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</td>
<td>MFN duties (applied)</td>
<td>50.99 $/Ton</td>
<td>6.38%</td>
</tr>
<tr>
<td>Botswana</td>
<td>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</td>
<td>Intra SACU rate</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Source: ITC Market Access Map

Table 12 indicates various tariffs that are applied by various countries to the exports of raw sugar originating from the Republic of South Africa in 2015. The table further indicates 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 Japan sugar market is the most highly protected market with extremely high tariffs charged 44.74% 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% during the period under scrutiny. The table further indicates that Namibia, Botswana and Mozambique, all applied a tariff of 0% to South African sugar imports in 2015 marketing season.

Table 13: shows the existing tariff position applied by South Africa to imports of cane sugar originating from various regions in 2016.

<table>
<thead>
<tr>
<th>COUNTRY (Exporter)</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME DESCRIPTION</th>
<th>APPLIED TARIFFS</th>
<th>ESTIMATED TOTAL AD VALOREM EQUIVALENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swaziland</td>
<td>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</td>
<td>Intra SACU rate</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring</td>
<td>MFN duties (Applied)</td>
<td>OQTR: 155.37 $/Ton IQTR :</td>
<td>OQTR: 28.59% IQTR : 21.00% 0.00%</td>
</tr>
<tr>
<td>COUNTRY (Exporter)</td>
<td>PRODUCT DESCRIPTION</td>
<td>TRADE REGIME DESCRIPTION</td>
<td>APPLIED TARIFFS</td>
<td>ESTIMATED TOTAL AD VALOREM EQUIVALENT</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------</td>
<td>--------------------------</td>
<td>----------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Thailand</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter</td>
<td>MFN duties (Applied)</td>
<td>OQTR: 155.37$/Ton IQTR : 21.00%</td>
<td>OQTR: 28.59% IQTR : 21.00%</td>
</tr>
<tr>
<td>Brazil</td>
<td>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</td>
<td>MFN duties (Applied)</td>
<td>OQTR: 155.37$/Ton IQTR : 21.00%</td>
<td>OQTR: 28.59% IQTR : 21.00%</td>
</tr>
<tr>
<td>Germany</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form: Raw sugar not containing added flavouring or colouring matter: Cane sugar specified in Subheading Note 2 to this Chapter</td>
<td>MFN duties (Applied)</td>
<td>OQTR: 155.37$/Ton IQTR : 21.00%</td>
<td>OQTR: 28.59% IQTR : 21.00%</td>
</tr>
<tr>
<td>India</td>
<td>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</td>
<td>MFN duties (applied)</td>
<td>OQTR: 123.75$/Ton IQTR : 21.00%</td>
<td>OQTR: 3.11% IQTR : 21.00%</td>
</tr>
</tbody>
</table>

Source: ITC Market Access Map

Table 13 above demonstrates that the existing tariff position applied by South Africa to the imports of raw sugar originating from various regions of the world in 2015. 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 protected as the country has applied tariffs for the import of raw sugar during 2015/16 marketing season.

<table>
<thead>
<tr>
<th>Tariff Headings</th>
<th>TARIFF SUB-HEADING</th>
<th>DESCRIPTION</th>
<th>STATISTICAL UNIT</th>
<th>RATE OF DUTY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>General</td>
</tr>
<tr>
<td>1701</td>
<td></td>
<td>Cane or beet sugar and chemically pure sucrose in solid form</td>
<td>Kg</td>
<td>216.77c/kg</td>
</tr>
<tr>
<td>17011100</td>
<td>Cane Sugar</td>
<td>Kg</td>
<td>216.77c/kg</td>
<td>216.77c/kg</td>
</tr>
<tr>
<td>Tariff Headings</td>
<td>TARIFF SUB-HEADING</td>
<td>DESCRIPTION</td>
<td>STATISTICAL UNIT</td>
<td>RATE OF DUTY</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------------------</td>
<td>-------------</td>
<td>------------------</td>
<td>-------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>General</td>
</tr>
<tr>
<td>17011200</td>
<td>Beet Sugar</td>
<td>Kg</td>
<td>216.77c/kg</td>
<td>216.77c/kg</td>
</tr>
<tr>
<td>17019100</td>
<td>Containing added flavouring or colouring matter</td>
<td>Kg</td>
<td>216.77c/kg</td>
<td>216.77c/kg</td>
</tr>
<tr>
<td>17019900</td>
<td>Other</td>
<td>Kg</td>
<td>216.77c/kg</td>
<td>216.77c/kg</td>
</tr>
</tbody>
</table>

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

The table above indicates that 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 cane sugar exported by South Africa in 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>103701</td>
<td>1.00</td>
<td>201711</td>
<td>514</td>
<td>-18</td>
<td>-9</td>
<td>-76</td>
<td></td>
</tr>
<tr>
<td>Namibia</td>
<td>31219</td>
<td>0.30</td>
<td>61324</td>
<td>509</td>
<td>-13</td>
<td>-5</td>
<td>-43</td>
<td>0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>23508</td>
<td>0.23</td>
<td>52714</td>
<td>446</td>
<td>-7</td>
<td>2</td>
<td>-63</td>
<td>0</td>
</tr>
<tr>
<td>Botswana</td>
<td>23024</td>
<td>0.22</td>
<td>39969</td>
<td>576</td>
<td>-14</td>
<td>-9</td>
<td>-44</td>
<td>0</td>
</tr>
<tr>
<td>Lesotho</td>
<td>7810</td>
<td>0.07</td>
<td>16223</td>
<td>481</td>
<td>-4</td>
<td>28</td>
<td>-29</td>
<td>0</td>
</tr>
<tr>
<td>Angola</td>
<td>2930</td>
<td>0.03</td>
<td>5900</td>
<td>497</td>
<td>-37</td>
<td>-26</td>
<td>-87</td>
<td>20.1</td>
</tr>
<tr>
<td>Kenya</td>
<td>2905</td>
<td>0.03</td>
<td>5749</td>
<td>505</td>
<td>-15</td>
<td>-7</td>
<td>-60</td>
<td>84.9</td>
</tr>
<tr>
<td>Madagascar</td>
<td>2776</td>
<td>0.03</td>
<td>5807</td>
<td>478</td>
<td>-32</td>
<td>-26</td>
<td>-70</td>
<td>5</td>
</tr>
<tr>
<td>Comoros</td>
<td>2300</td>
<td>0.03</td>
<td>4546</td>
<td>506</td>
<td>-10</td>
<td>-2</td>
<td>32</td>
<td>0</td>
</tr>
<tr>
<td>USA</td>
<td>1623</td>
<td>0.02</td>
<td>205</td>
<td>7917</td>
<td>-28</td>
<td>-54</td>
<td>-94</td>
<td>12</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1174</td>
<td>0.01</td>
<td>1982</td>
<td>592</td>
<td>-49</td>
<td>-43</td>
<td>-97</td>
<td>5.5</td>
</tr>
<tr>
<td>France</td>
<td>1109</td>
<td>0.01</td>
<td>2320</td>
<td>478</td>
<td>-11</td>
<td>-11</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>Uganda</td>
<td>776</td>
<td>0.01</td>
<td>1851</td>
<td>419</td>
<td>-45</td>
<td>-38</td>
<td>-83</td>
<td>84.9</td>
</tr>
<tr>
<td>Israel</td>
<td>455</td>
<td>0.01</td>
<td>744</td>
<td>612</td>
<td>-12</td>
<td>-8</td>
<td>-41</td>
<td>0</td>
</tr>
<tr>
<td>Swaziland</td>
<td>357</td>
<td>0.01</td>
<td>582</td>
<td>613</td>
<td>-63</td>
<td>-63</td>
<td>-63</td>
<td>0</td>
</tr>
<tr>
<td>Democratic Rep of Congo</td>
<td>346</td>
<td>0.01</td>
<td>33</td>
<td>10485</td>
<td>-34</td>
<td>-61</td>
<td>-89</td>
<td>20</td>
</tr>
<tr>
<td>Senegal</td>
<td>108</td>
<td>0.01</td>
<td>200</td>
<td>540</td>
<td>-59</td>
<td>-59</td>
<td>17.7</td>
<td></td>
</tr>
<tr>
<td>Malawi</td>
<td>105</td>
<td>0.01</td>
<td>124</td>
<td>847</td>
<td>0</td>
<td>26</td>
<td>156</td>
<td>15</td>
</tr>
<tr>
<td>Zambia</td>
<td>105</td>
<td>0.01</td>
<td>82</td>
<td>1280</td>
<td>-25</td>
<td>-11</td>
<td>-66</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ITC Trade Map
Table 14 illustrates the list of importing markets for raw sugar cane exported by South Africa to the world in 2015. As shown in the table South Africa exported a total of 201,711 tons of raw sugar cane to the world market during the period under scrutiny. The greatest volumes were exported from South Africa to Namibia, Mozambique, Botswana and Lesotho, with each country accounting for 30.1%, 22.7%, 22.2% and 7.5% market share respectively in South Africa’s sugar exports in 2015. The table further illustrates that Namibia was the leading importer of raw sugar cane from South Africa with 61,324 tons of raw sugar cane, while Mozambique was the second importer at 52,714 tons of raw sugar cane from South Africa and Botswana as the third at approximately 39,969 tons during 2015. Namibia and Botswana’s imports worldwide experienced a decline in value of 13% and 14% respectively, while Mozambique’s imports worldwide experienced a positive growth quantity at 2% between 2011 and 2015 respectively, and the growth in value of the world market over the same period was 18% and the decline in quantity of 9%.

On the same note, Namibia’s imports from South Africa experienced a decline of 13% in value and 5% in quantity between 2011 and 2015, and the growth of the world market over the same period was at 18% in value and the decrease of 9% in quantity.

The table also illustrates that Lesotho’s exported growth in value and quantity between 2011 and 2015 was less than the world average exported growth in value hence more than the world average exports growth in quantity period under review.
Figure 36: Growth in demand for cane sugar exported by South Africa in 2016

Source: ITC Trade Map
Figure 36 shows growth in demand for raw sugar cane exported by South Africa to the world in 2015. The figure further shows that Israel and United State of America were the biggest markets of raw sugar cane exported by South Africa in 2015. South Africa’s sugar exports to Rwanda, Ghana, Namibia, and Botswana were all growing at a rate that is greater than their imports to the rest of the world between 2011 and 2015 but in a declining market.

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 raw sugar cane to Angola were growing at the slower pace as compared to imports from the world at approximately 10% between 2011 and 2015 marketing season. South Africa’s annual growth exports to Namibia were declining at -13% and -5% respectively between 2011 and 2015.
Figure 37: Prospects for market diversification for cane sugar exported by South Africa in 2015

Source: ITC Trade Map
The graph indicates prospects for market diversification for raw sugar cane exported by South Africa to the world in 2015. The bubble graph further indicates that in world terms United State of America and Japan were the biggest markets of raw sugar cane from South Africa to the world over the same period. The graph also indicates that if South Africa has to diversify its markets of raw sugar cane, small and attractive markets exist in Namibia, Kenya, Ghana and Rwanda.

Namibia remains as a traditional market for South Africa’s raw sugar cane in 2015 because of the size of the bubble graph that indicates the main world’s importers with over 61 000 tons of raw sugar cane and with a world market share of 30.1% between 2011 and 2015 marketing season.

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 raw sugar cane at approximately between 7.5% and 23% during 2011 and 2015. It is also important to note that growth by countries such as Botswana, Angola and Lesotho have been off a low base, but they represent possible markets for South Africa’s raw sugar cane during 2015 marketing season.
Table 15: List of supplying markets for raw sugar, cane imported by South Africa in 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>156151</td>
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<td>329435</td>
<td>474</td>
<td>-12</td>
<td>1</td>
<td>-42</td>
<td>-27.1</td>
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<tr>
<td>Swaziland</td>
<td>85803</td>
<td>54.9</td>
<td>152198</td>
<td>564</td>
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<td>-1</td>
<td>-52</td>
<td>0</td>
</tr>
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<td>Brazil</td>
<td>44543</td>
<td>28.5</td>
<td>120770</td>
<td>369</td>
<td>-18</td>
<td>-4</td>
<td>-36</td>
<td>27.1</td>
</tr>
<tr>
<td>Zambia</td>
<td>10870</td>
<td>7</td>
<td>24209</td>
<td>449</td>
<td>30</td>
<td>102</td>
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</tr>
<tr>
<td>Malawi</td>
<td>6297</td>
<td>4</td>
<td>12300</td>
<td>512</td>
<td>40</td>
<td>13</td>
<td>-52</td>
<td>27.1</td>
</tr>
<tr>
<td>India</td>
<td>4961</td>
<td>3.2</td>
<td>12284</td>
<td>404</td>
<td>30</td>
<td>49</td>
<td>44</td>
<td>-27.1</td>
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<tr>
<td>Thailand</td>
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<td>-4</td>
<td>13</td>
<td>-52</td>
<td>27.1</td>
</tr>
<tr>
<td>United Arab Emirates</td>
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<td>328</td>
<td>537</td>
<td>50</td>
<td>185</td>
<td>2100</td>
<td>0</td>
</tr>
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<td>Germany</td>
<td>90</td>
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<td>1084</td>
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<tr>
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<td>3</td>
<td>-52</td>
<td>27.1</td>
</tr>
<tr>
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<td>0</td>
<td>10</td>
<td>6800</td>
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<td>-47</td>
<td>134</td>
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Source: ITC Trade Map
Table 15 depicts the list of supplying markets for raw sugar cane imported by South Africa from various regions in 2014. As shown in the table South Africa imported a total of 329,435 tons of raw sugar cane from the world market over the same period under scrutiny. South Africa’s imports of raw sugar cane from the world increased in 2015 by 12% as compared to 2014 marketing season. The greatest volumes of raw sugar cane were imported from Swaziland, followed by Brazil and small quantities from Guatemala accounting for 54.5% share, 28.5% share and 47.0% share respectively of South Africa’s sugar imports in 2015. The table further depicts that Swaziland was the main exporter of raw sugar cane from South America to South Africa in 2015. Swaziland sugar exports to South Africa experienced decline in value of 13% and 1% in quantity between 2011 and 2015, and the growth of the average world market over the same period was 12% in value and 1% in quantity.

The table also depicts that Swaziland’s imported growth in value declined by 13% between 2011 and 2015 decreased more than the average world imports at 12% over the same period. The table further depicts that Zambia and Lesotho were the most competitive suppliers of raw sugar cane into South Africa during 2015 marketing season, followed by Germany and Mauritius. Countries such as United Kingdom, Germany, United States of America, Colombia and Indonesia supplied South Africa with very low volumes of sugar of not more than 100 tons each during 2015 marketing season.
Figure 38: Competitiveness of suppliers to South Africa for cane sugar imported by RSA in 2015

Competitiveness of supplying countries for a product imported by South Africa in 2015
Product: 1701 Cane or beet sugar and chemically pure sucrose, in solid form

Source: ITC Trade Map
Figure 38 illustrates competitiveness of suppliers to South Africa for raw sugar cane imports from the world in 2015. The bubble graph further illustrates that Brazil and Swaziland were the main supplier of raw sugar cane from the world in 2015 supplying approximately 120 770 and 152 198 tons respectively. The bubble graph also illustrates that between 2011 and 2015, the most competitive supplier of raw sugar cane from the world into South Africa was Colombia and India, followed by Zambia, Germany, Mauritius 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 for raw sugar cane from Thailand and India were growing faster than world’s imports at a rate between 100% respectively as compared to world imports of about 0% respectively between 2010 and 2014,
- South Africa’s annual growth imports for raw sugar cane from Germany and United Kingdom were declining at a slower pace between 0% and 5% than the world’s imports that were declining faster at 0% and 19% over the same period,
- South Africa’s annual growth imports for raw sugar cane from Namibia were growing at the same pace at 45% as compared to the world’s imports of also about 45% between 2010 and 2014.
Figure 39: Prospects for diversification of suppliers for cane sugar imported by South Africa in 2015

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 2015. The figure further shows that 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. The figure also shows that if South Africa had to diversify its suppliers of raw sugar cane, small and attractive markets exist in India, USA, Mauritius and Germany. During 2015 marketing season, Swaziland exported more of raw sugar cane to South Africa than to the rest of the world of approximately 152 198 tons as compared to what the world exported to South Africa at about 329 198 tons. However, the chart also shows that Swaziland experienced a greater market share in South Africa’s imports of raw sugar cane at approximately 54.9% in 2015 as compared to Brazil at about 28.5% over the same period.

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 80 000 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

Illovo Sugar Limited
Illovo Sugar Park
1 Montgomery Drive
Mount Edgecombe
P.O.Box 194
Durban
4000
Contact Person: HR Hackmann
Tel: (031) 508 4345
Fax: (031) 508 4499
Website: www.illovo.co.za

Tongaat-Hulett Sugar Limited
Amanzimnyama Hill Road
Tongaat
Private Bag 3
Glenashley
4022
Contact Person: PD McKerchar
Tel: (032) 439 4307
Fax: (032) 439 4392
Website: www.tongaat.co.za
Tongaat-Hullet Sugar Refinery
444 South Coast Road
Rossburgh, 4094
PO Box 1501
Durban
4000

UCL Company Limited
Dalton Mill
P.O.Box 1
Dalton
3236
Contact person: HW Rencken
Tel: (033) 501 1600
Fax: (033) 501 1187

Gledhow Sugar Company
P.O.Box 55
Stanger
4450

Contact Person: Kay Naude
Tel: (032) 437 4400
Fax: (032) 552 5678

Transvaal Sugar Limited (TSB)
P.O.Box 47
Malelane
1320
Contact Person: IG van der Walt
Tel: (013) 791 1000
Fax: (013) 790 0769
ILLOVO SUGAR LTD
Market Share: 31.7%
Operates 05 mills

TONGAAT-HULLETT SUGAR LTD
Market Share: 31.7%
Operates 04 mills

TSB TRANSVAAL SUGAR LTD
Market Share: 3%-5%
Operates 01 mill

UCL COMPANY LTD
Market Share: 3%-5%
Operates 01 mill

GLEDHOW SUGAR COMPANY:
Ownership: 34.9%
Ushukela, 30%, 10%
Sappi, 25.1%
Growers trust.

UMVOTI TRANSPORT (Umfolozi Mill)
Operates one mill

CONSUMER PRODUCTS
- White sugar
- Brown sugar
- Syrups & specialty products

INDUSTRIAL PRODUCTS
- Bakers and biscuit manufacture
- Alcoholic Beverages
- Dairy & ice cream
- Sweets and

OTHER PRODUCTS
- Tobacco Curing
- Animal Feeds
- Guard crop

SUGAR MILLING

SUGAR REFINERIES

ANIMAL FEED MANUFACTURERS

DOWNSTREAM OPERATIONS

RETAILERS

CONSUMERS

CANE PRODUCTION
- Area: 391 483 Ha, 29 130 cane growers
- Commercial growers: 1 550
- Developing farmers: 27 580
- Total production: 19.9 million tons
- Small scale: 8.59% of the total.
- Sugar estates: 6.72% of the total
- Foreign earnings: R6 billion.
- direct & indirect jobs: 350 000

03 packaging plants
02 packaging plants
01 packaging plant

3 Sugar Refineries
Refinery operation
1 Refinery operation

01 Sugar Refinery

1 Refinery operation

Animal feed operation
Animal feed operation

CONSUMERS
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
SAMM = South African Millers Association
11. ACKNOWLEDGEMENTS

Acknowledgement is hereby given to the following organizations:

South African Sugar Association (SASA)
170 Flanders Drive, Mount Edgecombe, 4300
P.O. Box 700
Mount Edgecombe
4300
Telephone: (031) 508 7000
Fax: (031) 508 7199
Website: www.sasa.org.za

South African Cane Growers Association (SACGA)
Kwa-Shukela, 170 Flanders Drive, Mount Edgecombe, 4300
P.O. Box 888
Mount Edgecombe
4300
Tel: (031) 508 7200
Fax: (031) 508 7201
E-mail: central@canegrowers.co.za
Website: www.sacanegrowers.co.za

South African Sugar Millers Association Limited
Kwa-Shukela, 170 Flanders Drive, Mount Edgecombe, 4300
P.O. Box 1000
Mount Edgecombe
4300
Tel: (031) 508 7300
Fax: (031) 508 7310
E-mail: sasma@sasa.org.za

Directorate: Economic Analysis & Statistics
Department of Agriculture, Forestry and Fisheries.
Tel: (012) 319 8453
Fax: (012) 319 8031
www.daff.gov.za
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