

SUGAR EXPORTS FROM KWAZULU-NATAL

South Africa continues to be one of the world's most cost competitive producers of high quality sugar. According to independent surveys of the costs of production of more than 100 global sugar industries, the South African sugar industry consistently ranks amongst the top 15. Its excellent export infrastructure, world-renowned agricultural and industrial research platforms and efficient industry organisation are key drivers of excellence.



Sugarcane is grown by approximately 26 000 registered sugarcane growers farming predominantly in KwaZulu-Natal with substantial operations in Mpumalanga, and some sugarcane production in the Eastern Cape. Sugar is manufactured by six milling companies with 14 sugar mills operating in the cane-growing regions. The industry produces an average of 2,2 million tons of sugar per season. About 75% of this sugar on average is marketed in the Southern African

Customs Union (SACU). The remainder is exported to markets in Africa, Asia and the USA. Sugarcane is a strategic crop for Kwazulu-Natal and Mpumalanga, where sugarcane production is located, comprising nearly 50% of field crop gross farming income across the two provinces

Sugar Exports Globally

Despite its comparative production efficiencies, the South African sugar industry finds it difficult at times to export profitably to the world market, as the global sugar price is severely eroded by subsidy induced overproduction in some major sugar-producing countries. Access to the major markets for raw and refined sugar is furthermore restricted by high tariffs and preferential trade arrangements in the form of tariff rate quotas. These same global market distortions also threaten the maintenance of a profitable and sustainable sugar price on the domestic market.

Government Support

Government's strategic support for the South African sugar industry recognises the distorted nature of the world market for sugar, and the severe impact of producer support measures on price determination on the global market. Based on these considerations government support includes intervention in the following three areas: tariff protection against disruptively low world sugar prices; provision for the establishment of equitable export obligations for millers and growers; and the Sugar Cooperation Agreement between the members of the Southern African Development Community. The South African Government's support in these areas is endorsed in the Department of Trade and Industry and the South African Sugar Industry's Joint Strategy for the Optimal Development of the Sugar Industry within a South African Customs Union and SADC Context.

Tariff protection

The industry is protected through a dollar-based reference price tariff system that is based on the long-term average world price for sugar, adjusted for distortions, which only delivers protection when the world price drops below this reference price.

Equitable export obligations

The profitability of the industry's exports to the world market is at stages severely affected by a subsidy-induced oversupply of global demand. The South African sugar industry exports approximately 40% of its sugar production to the world market at prices which are normally substantially below the domestic sugar price. In order to distribute exposure to the world market equitably amongst growers and millers, a redistribution of proceeds is effected via the South African Sugar Association. The Sugar Act and the Sugar Industry Agreement provide regulatory support for this redistribution of proceeds.

The Southern African Development Community Sugar Cooperation Agreement

A Southern African Development Community (SADC) Sugar Co-operation Agreement has been established and is incorporated into the SADC Trade Protocol. More information can be accessed from <http://www.iuf.org/sugarworkers/wp-content/uploads/2012/07/Trade-Agreements.pdf>

Products

C22: Prepared foodstuffs; beverages, spirits & vinegar; tobacco & manufactured tobacco substitutes (16-24)

HS2: Sugars and sugar confectionery

HS4: Cane or beet sugar and chemically pure sucrose, in solid form

Cane or beet sugar and chemically pure sucrose, in solid form - other

Product and code	Trading partners	Barriers to entry -		Trade Agreements	Key role players(KZN)
	Top five countries trading with SA	*Tariffs Applied (A)	Total ad valorem (TAV)	*Non - Tariffs	Crookes Brothers
H170199	Mozambique	Preferential Tariff 0%	0%	Preferential Trade agreement SA(PTASA)	Gledhow Sugar Illovo Sugar
Refined sugar, in solid form nes, pure sucrose.	Zimbabwe	MFN duties applied 20%	20%		Tongaats Huletts. UCL Company
	Angola	MFN duties applied 5%	5%	PTASA	Umfolozi Sugar Mill
	Madagascar	0%	0%	PTASA	
	Sudan	10%	10%		

***detail information available on macmap.org.za**

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Players in the Sugar Industry

ILLOVO SUGAR LIMITED

Illovo Sugar presently operates four sugar mills in South Africa, one of which has a refinery and two which have packaging plants. It has three cane growing estates and, in addition to producing speciality sugars and syrup, also produces a variety of high-value downstream products.

TONGAAT HULETT SUGAR LIMITED

Tongaat Hulett Sugar Limited operates four sugar mills in South Africa two of which have packaging plants, a central refinery in Durban which has its own packaging plant, various sugar estates and an animal feeds operation.

Tsb Sugar Holdings (Pty) Ltd

Tsb Sugar Holdings (Pty) Limited operates three sugar mills two of which have refineries, a packaging plant, sugar estates, cane and sugar transport and an animal feed division.

GLEDHOW SUGAR COMPANY (PTY) LIMITED

On the 10 September 2009 Gledhow Sugar Company (Pty) Ltd came into being. The company ownership is comprised of supplying growers with 25.1% equity; a long established miller (Illovo Sugar Ltd) with 30.0% equity; a paper manufacturer (Sappi Ltd) with 10% equity, and a BEE partner (The Sokhela Family Trust) with 34.9% equity. The mill has a 35 ton per hour refinery and produces EEC2 quality sugar.

UCL COMPANY LIMITED

UCL Company Ltd operates a sugar mill, a wattle extract factory, two saw mills, a number of mixed farms and a trading division.

UMFOLOZI SUGAR MILL (PTY) LIMITED

The Umfolozi Mill is owned by two shareholders. The first is a group of cane growers with cane growing interests comprising a large cane growing company to the south, the largest cane grower in northern KwaZulu-Natal and an unlisted public company whose shareholders grow sugar cane on the Umfolozi flats. The second is a large alcohol producing company in Durban. The Umfolozi Sugar Mill (Pty) Ltd bags high quality VHP brown sugar for sale into the industrial and retail markets.