

Regional developments in ACP sugar sectors 2011–2012

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1. Sugar sector developments in Southern and Eastern Africa

In 2011, total commercial sugar production in Southern and Eastern Africa was 5.6% below the level of 2004, although a recovery for the first time to above 2004 levels was projected for 2012. This was accounted for by the decline in production over the period 2004–11 in South Africa (-22%), the scale of the economic crisis in Zimbabwe (-34%) and the downsizing of the Mauritian sugar sector (-14%). These outweighed the effects of investment in expanded production in Malawi, Zambia, Mozambique, Uganda and Tanzania. However, given South Africa's exclusion from preferential access to the EU market, this did not adversely impact on the sugar trade with the EU.

In terms of trade with the EU, however, the major trend in the most recent years has been the expansion of sugar production in least-developed countries (LDCs) (Zambia, Malawi and Mozambique) and a number of low-cost non-LDCs that have initialled or signed interim economic partnership agreements (EPAs) (e.g. Swaziland and potentially Zimbabwe).

Mozambique: Of particular note in 2011/12 was the large-scale expansion of Mozambican sugar production (+38% compared to 2010/11). Sugar exports are expected to reach 260,000 tonnes in the marketing year (MY) 2012/13, up 26.8% from 2011/12 and 132% since 2010/11. Exports to the EU are projected to have increased by 177% between 2010 and 2012 (see Agritrade article '[Mozambican sugar exports to EU surge](#)', 22 July 2012).

Zambia, Malawi, Zimbabwe and Swaziland: Recent figures show strong growth in sugar exports from Zambia and Malawi, a recovery in production and exports to the EU in Zimbabwe and an expansion of production and exports to the EU in Swaziland. Malawian and Zambian exports in particular increased strongly contrary to the general trends in ACP sugar exports to the EU (see Agritrade article '[Trends in Southern and Eastern African sugar production and trade](#)', 24 June 2012). This could well have been a product of the strong corporate linkages between the estate/millers, the sugar trading company, the raw sugar refineries in Europe and the development of the fair-trade market in the UK.

Efforts to secure fair-trade certification for smallholder growers in Swaziland may in part be linked to the announcement by Cadbury of plans to produce a range of fair-trade chocolate products at its Port Elizabeth plant in South Africa (see Agritrade article '[Kraft Foods announces launch of fair-trade Cadbury chocolate bar in South Africa](#)', 9 August 2011).

South Africa: South African-based sugar companies have invested heavily in the expansion of regional sugar production (in some instances in association with EU companies), increasing the importance of Southern African LDCs in overall ACP supplies of sugar to the EU market. Since 2009/10, ACP sugar exports to the EU have been substantially below the average for the period 2006 to 2009, falling far short of the 3.3 million tonnes of imports assumed at the time of the planning of EU sugar sector reforms. ACP exports are however rising again, with import licence applications suggesting that some 2,054,000 tonnes would be supplied in the 2011/12 season.

If exporters in Southern and Eastern Africa become consistent and reliable suppliers of an expanded volume of raw sugar to the EU, this could reduce pressure from full-time sugar refiners and industrial sugar users for EU sugar imports to be further liberalised (see Agritrade article '[Industrial users set out their views on sugar reform against backdrop of global price volatility](#)', 9 September 2012).

However, this is not simply a case of increased volumes of raw sugar being available, but also relates to the routes to market, since traditional full-time refiners need to be able to access this expanded volume of raw sugar supplies at competitive prices (see Agritrade article '[EU co-refiners enjoy cost advantages](#)', 28 May 2012).

Mauritius: The second noticeable feature in 2011/12 was the success of the Mauritian strategy of moving into refined sugar products and diversifying income streams from sugar cane production, with corporate profitability having improved despite the decline in the volume of raw sugar produced (see Agritrade articles '[Mauritius completes move to refined sugar exports, other countries face variable prospects](#)', 9 August 2011 and '[Mauritius continues to expand value-added sugar exports](#)', 27 December 2011). The diversification of revenue streams is likely to become particularly significant in the coming 10 years as the premium for white sugar over raw sugar narrows (projected to fall to as little as 4 cents/lb). Increasingly the aim is for Mauritius to become a producer of value-added sugar cane-based products, with investments in cane production in neighbouring African countries (e.g. Kenya and Tanzania) to secure raw sugar supplies forming part of this strategy. This value-added, refined sugar focus fits well with evolving patterns of global sugar demand, which are shifting eastwards.

Sudan and Ethiopia: A third noticeable feature is the relatively small increase (Sudan +3.7%) and even marginal decline (Ethiopia -1.4%) in production in countries with state-led sugar production growth strategies.

Uganda and Tanzania: In the East African Community (EAC) Customs Union, efforts continue to promote greater regional self-sufficiency in sugar production. Particularly impressive gains have been achieved in Uganda (+84% between 2004 and 2011) and to a lesser degree Tanzania (34%). However, the sugar deficit in the EAC is increasing, up from 231,000 tonnes in 2004 to 348,000 tonnes by 2012, in the face of rapidly growing consumption.

Kenya: At the policy level, Kenya's use of special safeguard provisions under the COMESA treaty continues to be a focus of discussion. In 2011, the maintenance of safeguards was renewed, although at reduced levels of protection following the expansion of COMESA tariff-rate quota (TRQ) access and in-quota tariff reductions. This extension of safeguard measures occurred despite a lack of progress on Kenyan sugar sector reform and the emergence of sugar shortages within the EAC. This led in August 2011 to special import arrangements for Uganda (a duty-free TRQ of 40,000 tonnes) and the introduction of sugar export bans by both Uganda and, in September, Tanzania.

EAC sugar sector policy has been described by government officials as 'very complicated'. Nevertheless, efforts continued in 2011/12 to reform the Kenyan sugar sector, with legislation being tabled which would: allow cane farmers to:

- sell their crop to the highest bidder;
- ensure farmers were paid based on the sucrose content of their cane;
- provide farmers with a share in revenue from by-products of sugar production.

Against the background of reform, a number of investments are under way in Kenya, including from Mauritius, with similar investment programmes taking place in Tanzania and Uganda.

Overall, despite the production expansion currently under implementation, the rapid growth of human consumption of sugar in the region means that supplies available for export are set to shrink in the longer term. In this context, as part of the finalisation of the SADC-EU EPA process, the EU may well need to rethink its current practice of excluding South Africa from preferential access to the EU sugar market.

2. Sugar sector developments in West and Central Africa

The West and Central African region has a large and rising deficit in raw sugar production, with a region wide deficit approaching 2.5 million tonnes. The West and Central African region is thus mainly a sugar importing region. The largest sugar market in West Africa is Nigeria (48% in 2004 and 50% in 2011, and a projected 50.5% in 2012), where production of raw sugar accounts for less than 5% of domestic consumption. While the Nigerian government has offered a range of incentives to boost raw sugar production, including privatisation, this has seen little substantial investment in new cane production. The sugar refining sector, based largely on raw sugar imports from Brazil, is however booming. Currently installed capacity is 2.3 million tonnes, compared to national consumption of 1.4 million tonnes, and further investments are planned. This is encouraged by a tariff policy that levies the equivalent of a 30% import duty on refined sugar and only a 10% duty on raw sugar.

With some countries seeking to boost raw sugar production, Nigeria's expanding trade, both official and unofficial, in refined sugar could well give rise to tensions over the structure of regional sugar tariffs. The immediate scope for such tensions has been reduced by Illovo's decision (following the outbreak of civil conflict and a military coup) to withdraw from the proposed Markala Sugar project in Mali, which aimed to produce 190,000 tonnes of sugar and 15 million litres of ethanol per annum (see Agritrade article '[Nigeria expands refining capacity as Illovo pulls out of Mali](#)', 9 July 2012). However, Chinese plans to 'establish a sugar refinery in Niger...which would add value to its raw sugar cane production', with a capacity of 100,000 tonnes of refined sugar per year (in a context of recorded domestic consumption of 65,000 tonnes), will ensure a continued debate on regional sugar tariff policy (see Agritrade article '[Chinese company to open sugar refinery in Niger](#)', 31 March 2012). In March 2012, a four-nation sub-committee of ECOWAS recommended the maintenance of the status quo for sugar tariffs until 2014, followed by the establishment by 2018 of 'a uniform duty rate of 35 per cent on both raw and refined sugar'. It further recommended the establishment of 'appropriate monitoring mechanism and measures to ensure proper implementation' (see Agritrade article '[Recommendations on West Africa regional sugar tariffs](#)', 15 April 2012).

3. Sugar sector developments in the Caribbean

The dramatic change in world market price prospects since the initiation of EU sugar sector reforms has renewed interest in sugar production in the Caribbean, with this taking on different forms in different countries. However, the financial crisis has greatly complicated the business of securing financing for sugar sector restructuring.

According to the US Department of Agriculture (USDA), sugar production in the Caribbean, after declining sharply by an average of 23% from 2005 to 2008, is stabilising at an average of 19% below the level of 2004. The main ACP sugar producer in the Caribbean is the Dominican Republic, accounting for 47% of Caribbean ACP sugar production. In 2011, sugar production was recovering in Belize (+19% above the average of the previous 3 years), Guyana (+36%) and in Jamaica, where it appears that the corner may have been turned in terms of reversing the decline in sugar production.

Nevertheless, in 2011 Caribbean ACP sugar production was around 194,000 tonnes below the level of 2004. While many Caribbean sugar sectors have aspirations to improve cane productivity and mill efficiency through expanding the area under cane, these remain aspirations.

Jamaica: In 2011/12, the most significant development was the completion of the transfer of ownership of the sugar industry to the private sector in Jamaica, with the Chinese-owned Pan

Caribbean Sugar Company (PCSC) taking over the remaining two government-run estates. The government wants to see sugar cane production increased from 1.3 million tonnes to 3.5 million tonnes, but this will require large-scale, largely private sector investment (see Agritrade article [‘Ambitious plans for Jamaican sugar sector’](#), 10 June 2011). In May 2012, PCSC was granted the right to market its own sugar, having previously offered to market the sugar of other private operators on commercial terms (see Agritrade article [‘New marketing agency agreement signed with PCSC in Jamaica’](#), 18 June 2012).

This raises the question of the future role of the Jamaican Sugar Industry Authority, which may increasingly take on a supervisory role within a new modernised framework for the management of private-sector-based relationships along specific sugar supply chains. Given the widely differing prices secured for Jamaican sugar exports in 2011/12 (ranging from €333.2/tonne plus profit sharing to US\$936.98/ tonne), some level of oversight over commercial practices would appear to be necessary (see Agritrade article [‘Short-term earnings windfall projected in Jamaican sugar sector’](#), 6 September 2011).

Belize: In June 2012, the purchase by American Sugar Refiners (ASR) of a majority shareholding in Belize Sugar Industries was agreed. Given ASR’s ownership of Tate & Lyle Sugars, which has committed to converting its entire direct consumption range of sugar to fair-trade, this could lead to a rapid expansion of fair-trade certification in Belize.

Barbados: Efforts continue to develop a strategy to sustain the sugar sector, although the Inter-American Development Bank reports that ‘the gap between average sugar export prices and production costs is growing year by year resulting in an increasing financial burden’ (see Agritrade article [‘Caribbean sugar industries face difficulties’](#), 2 May 2011). In June 2011 the government committed US\$100 million to the pursuit of this strategy.

In June 2011, the government committed US\$100 million to the pursuit of a strategy that would create a single multi-purpose facility producing:

- ‘food grade sugars for direct consumption’;
- ‘increased volumes of grade ‘A’ molasses’ for an expanding rum industry;
- electricity for sale to the national grid, and additional biomass, which would open up scope for ethanol production.

The focus on supporting high-quality production of value-added products is seen as the way forward for the Barbados agro-processing sector (see Agritrade article [‘New sugar strategy announced in Barbados’](#), 19 December 2011). However, it is recognised that this requires significant improvements in field-level productivity.

Guyana: Difficulties continue to be faced in meeting production targets (See Agritrade article [‘Sugar sector adjustment activities continue in Caribbean’](#), 6 September 2011). While in 2011 the Guyana Sugar Corporation, GUYSUCO, hoped to attain production of 290,000 tonnes, with the ultimate aim of the regular production of 400,000 tonnes, USDA reported a projected production of 280,000 tonnes for 2011, slightly under the government target but nevertheless suggesting progress. An additional bright point was the expanded production and export of packaged sugar, largely to the CARICOM market. In July 2012, however, the lowest first sugar crop in 20 years was reported, suggesting that there are ongoing challenges.

Dominican Republic: The purchase of Tate & Lyle’s sugar division by ASR provides direct access to the Thames refinery through sister companies of ASR, should European prices offer better returns than US or other third-country markets. However, such a price development appears

unlikely in the short term, with the US being the favoured export destination in view of current US and EU prices. Indeed, according to USDA estimates, in 2011 there was a 16.5% decline in raw sugar exports from the Dominican Republic compared to 2010, reflecting increased production of refined sugar to serve domestic sugar markets.

4. Sugar sector developments in the Pacific

Fiji's sugar production has fallen 46% since 2004, compounded in 2012 by heavy rains and flooding. Production in Papua New Guinea (PNG), meanwhile, has remained constant. While the Fiji Sugar Corporation (FSC) and the government remain optimistic over the future of the industry, production and export levels have consistently fallen below target levels. This is indicative of continuing difficulties in the management of the sector, with equipment failures periodically undermining production, despite the investment made.

According to the World Bank, addressing the deep-rooted and complex causes of sugar sector decline in Fiji will be 'a formidable challenge'. The IMF has called for full privatisation of the sector within 3 years, although the government has no immediate plans to pursue such a course of action, given a lack of bankable options (see Agritrade article '[Major challenges facing Fiji sugar sector](#)', 2 May 2011).

Opportunities exist for market diversification, in view of shifting patterns of global sugar demand. However, substantial difficulties need to be overcome if such a reorientation is to be achieved (see Agritrade article '[FSC reiterates commitment to American Sugars under the Tate & Lyle agreement](#)', 4 December 2011).

Throughout 2011, Fiji remained excluded from EU sugar protocol accompanying measures support, despite ACP efforts to support the removal of the EU measures (see Agritrade article '[Improved financial performance of Fiji Sugar Corporation](#)', 25 October 2011). The EC proposal of 30 September 2011 to amend Market Access Regulation No. 1528/2007 and uncertainties around the future of the Pacific EPA negotiations cast a further cloud over the prospects for securing strategic partners for the rehabilitation and reorientation of the Fijian sugar sector (see Agritrade article '[Pacific EPA to be concluded by 2012](#)', 25 February 2012).

Annex

(continued on next page)

Annex 1

Table: Sugar production trends by ACP region ('000 tonnes)

	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	04–11 change (%)
Southern & Eastern Africa										
South Africa	2,560	2,315	2,595	2,313	2,360	2,350	2,265	1,985	2,000	-22.0
Sudan	820	820	815	835	800	825	625	850	850	+3.7
Swaziland	628	598	653	634	653	650	658	674	680	+7.3
Kenya	517	489	476	476	318	530	550	524	555	+1.4
Mauritius	550	580	550	505	460	480	500	480	470	-13.7
Zambia	244	250	270	260	225	310	425	450	435	+84.4
Zimbabwe	508	525	445	436	350	297	259	335	372	-34.0
Uganda	190	200	195	200	240	290	310	350	350	+84.2
Mozambique	240	260	265	245	245	250	250	330	350	+37.5
Malawi	260	215	220	275	310	330	325	335	330	+28.8
Tanzania	230	255	240	280	285	270	290	308	295	+33.9
Ethiopia	294	340	250	340	290	290	290	290	290	-1.4
Madagascar	30	26	20	15	15	25	58	85	85	+183
Angola	30	32	30	30	45	50	50	50	50	+67
Burundi	20	20	20	20	20	20	20	20	20	0
Rwanda	7	7	7	12	13	13	13	13	13	+85.7
Sub-total	7,128	6,932	7,051	6,876	6,629	6,980	6,598	6,729	7,145	-5.6
West and Central Africa										
Benin	10	10	10	10	14	10	10	10	10	0
Burkina Faso	38	35	35	35	35	35	35	31	30	-18
Cameroon	120	125	115	100	110	125	135	120	120	0
Chad	36	34	34	34	34	34	34	35	35	-3
Côte d'Ivoire	110	140	145	145	143	150	155	150	150	+36
Rep. Congo	58	64	62	65	60	72	72	75	70	+21
DRC	75	75	75	75	75	70	85	75	80	+7
Gabon	25	25	26	27	27	27	27	27	27	+8
Guinea	34	36	36	25	28	28	28	28	28	-18
Mali	35	39	35	30	35	35	40	35	40	+14
Niger	15	15	15	15	15	15	15	15	15	0
Nigeria	0	0	40	30	50	50	60	60	65	----
Senegal	88	27	100	110	100	100	105	105	100	+19
Sierra Leone	4	4	4	4	4	4	4	4	4	0
Togo	5	5	5	5	5	5	5	5	5	0
Sub-total	653	634	725	710	735	760	810	775	782	+20

	2004	2005	2006	2007	2008	2009	2010	2011*	2012*	04–11 change (%)
Caribbean										
Barbados	33	40	35	35	35	33	26	27	30	-18
Belize	125	105	120	105	85	100	104	115	110	-12
Dominican Rep	553	446	490	482	500	510	520	515	520	-6
Guyana	322	250	94	184	221	235	160	280	260	-19
Haiti	4	4	3	3	3	0	0	0	0	-100
Jamaica	184	124	147	164	160	170	120	150	155	-16
St Kitts & Nevis	15	15	0	0	0	0	0	0	0	-100
Suriname	1	1	0	1	1	1	1	1	1	0
Trinidad & Tobago	45	35	25	33	0	0	0	0	0	-100
Sub-total	1282	1020	914	1007	1005	1049	931	1088	1076	-15
Pacific										
Fiji	315	330	323	310	240	255	168	150	170	-46
PNG	45	45	45	45	45	45	45	45	45	0
Sub-total	360	375	368	355	285	300	213	195	215	-40

* projected

Note: Government and corporate data give different figures in a number of countries, however USDA data is used here for purposes of regional aggregation.

Source: USDA:

<http://www.indexmundi.com/agriculture/?count13ry=sz&commodity=centrifugal-sugar&graph=production>

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Technical Centre for Agricultural and Rural Cooperation (ACP—EU)
PO Box 380
6700 AJ Wageningen
The Netherlands
Tel: +31 (0) 317 467 100
E-mail: cta@cta.int - www.cta.int