



An AB Sugar company

# **REVITALISING AFRICA'S SUGAR INTRA-TRADE AND INVESTMENT ENVIRONMENT**



**ILLOVO SUGAR AFRICA** is the leading sugar company on the African continent and has a diversified sugar and downstream product offering operating in

# 6 AFRICAN COUNTRIES

Produces in excess of **1.7 MILLION** tons of raw and refined sugar per year

Reduces Africa's reliance on imports through local production at 14 facilities

Brings in much needed foreign revenue through direct investment in capital projects

**ILLOVO** annually makes significant direct and indirect contributions to the African economies in which it operates



**HAVE ACCESS TO OVER  
378 MILLION**

**PEOPLE IN OUR DOMESTIC AND  
REGIONAL MARKETS**





# SOCIAL IMPACT

**ILLOVO SUGAR AFRICA** has a significant positive impact on the rural communities in the areas in which it operates. The group employs 29 663 people directly and indirectly creates employment for an estimated further 41 780 people

In excess of **140 000** employees and direct dependents are impacted positively by **ILLOVO SUGAR AFRICA**

**ILLOVO PROVIDES PRIMARY HEALTHCARE** access to its employees and local communities through a network of clinics and hospitals

**ILLOVO IS INVOLVED** in a number of **EDUCATIONAL UPLIFTMENT** projects, including upgrades and administration assistance at more than 20 schools in the countries where it has operations

*\*Corporate citizenship: Independent, external socio-economic impact assessment 2016/17*





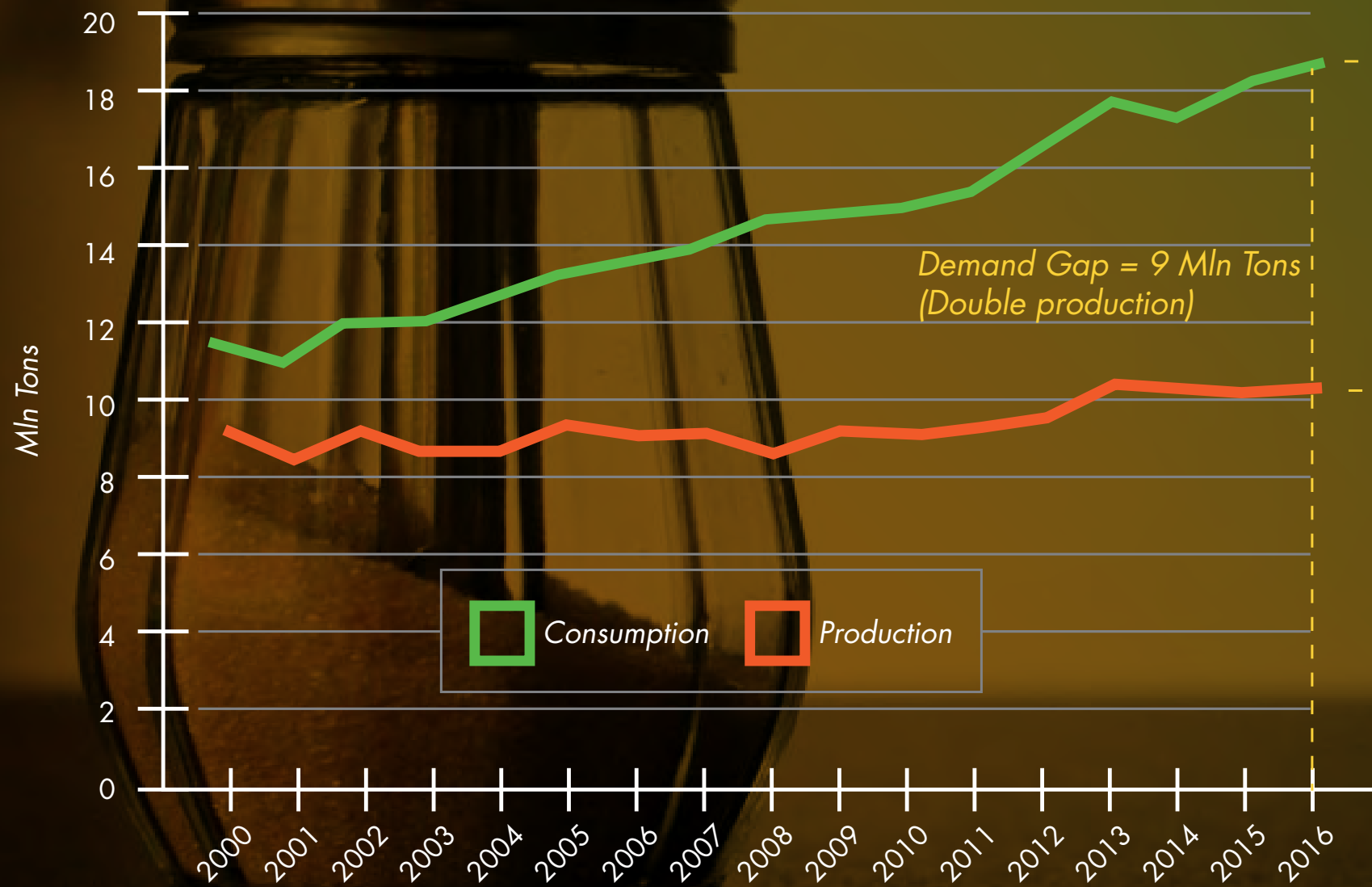
# WHAT DOES THE SUGAR MARKET LOOK LIKE IN AFRICA?





# AFRICAN CONSUMPTION EXCEEDS PRODUCTION

Sugar **PRODUCTION AND CONSUMPTION** in Africa



Source: ISO sugar statistics

African **CONSUMPTION** has **GROWN** at a rate of nearly **3% per annum** over the period **2012 – 2018** (more than double the growth of the rest of the world)

Source: ISO report - May 2018

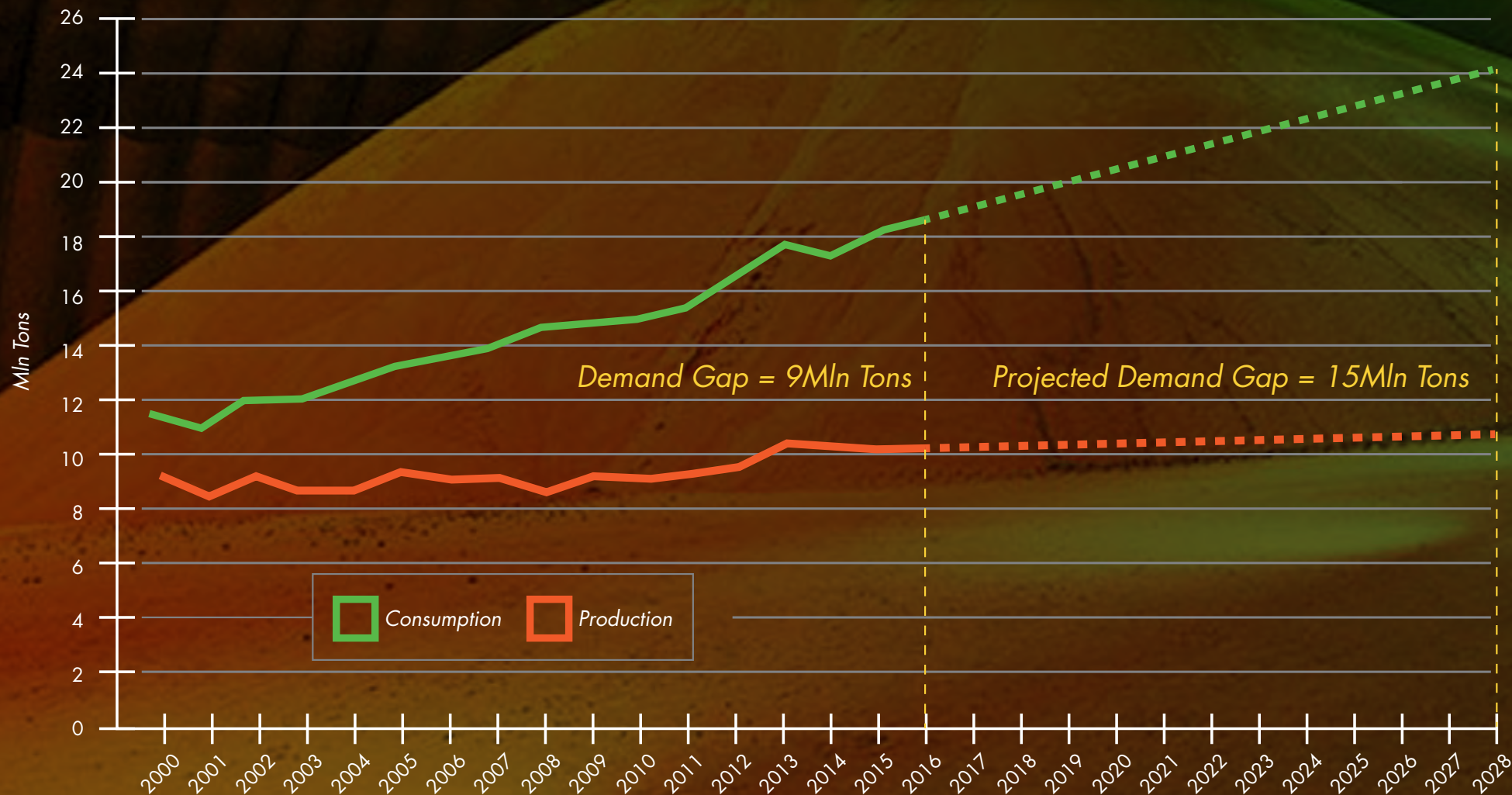
**\*DEMAND GAP OF 9Mln TONS (IMPORTED SUGAR) IS WORTH ALMOST \$9 Bn IN LOST ECONOMIC ACTIVITY**

\*Corporate citizenship: Independent, external socio-economic impact assessment 2016/17, Illovo Sugar extrapolated for total market



# PROJECTING THE CURRENT RATE OF CONSUMPTION GROWTH FORWARD MEANS THE AFRICAN CONSUMPTION DEMAND FOR SUGAR IS ESTIMATED TO BE 24 MILLION TONS BY 2028

## Projected **PRODUCTION AND CONSUMPTION** in Africa



Sub-Saharan Africa holds the **GREATEST POTENTIAL FOR SUGAR CONSUMPTION GROWTH** of any global region, with a current below average per capita consumption and above average population growth

Lacking significant investment focus, the African deficit will grow from **10 MILLION** tons to nearly **16 MILLION** tons, at a forex cost of **\$5.9 BILLION**

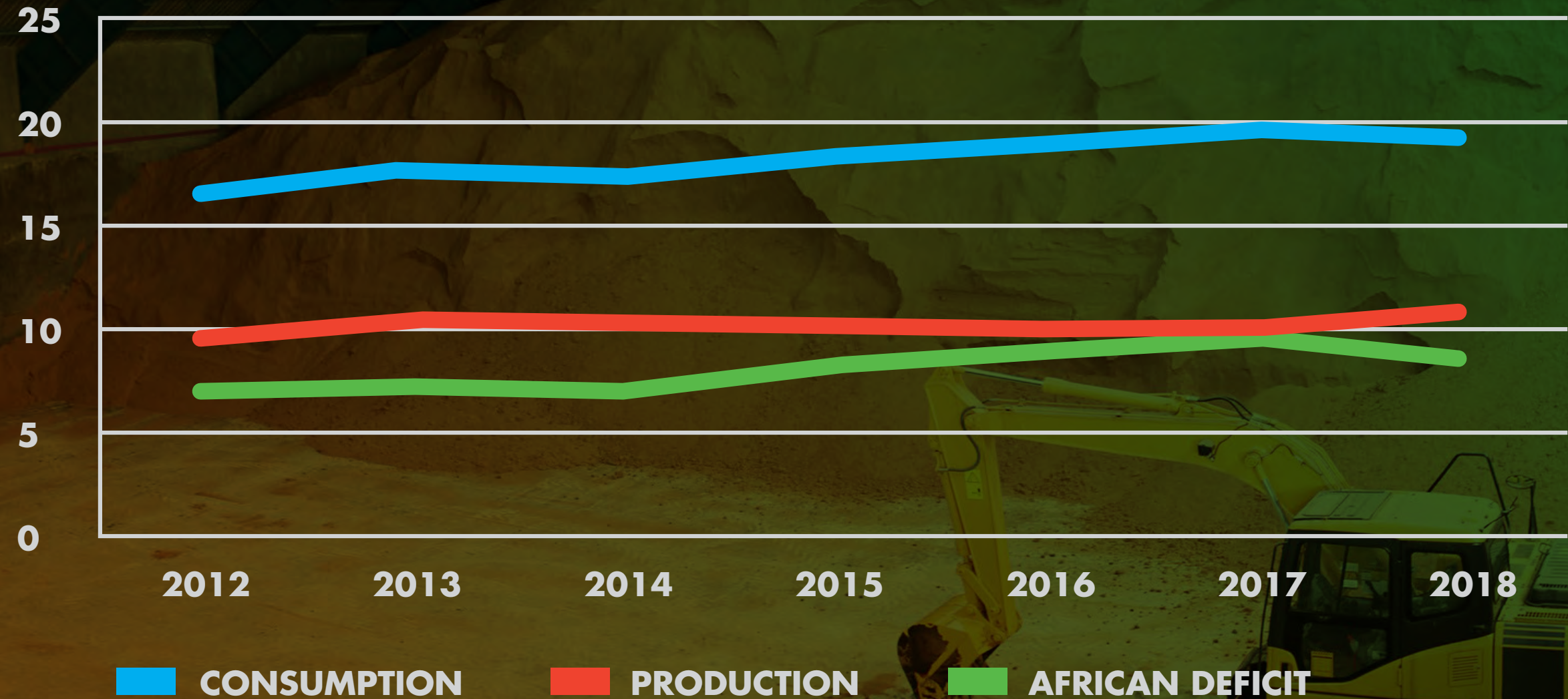
Source: ISO sugar statistics, projected forward 10 years

\*Corporate citizenship: Independent, external socio-economic impact assessment 2016/17, Illovo Sugar Africa extrapolated for total market accounting for future gap.



# CURRENT **TRADE PATTERNS** in AFRICA

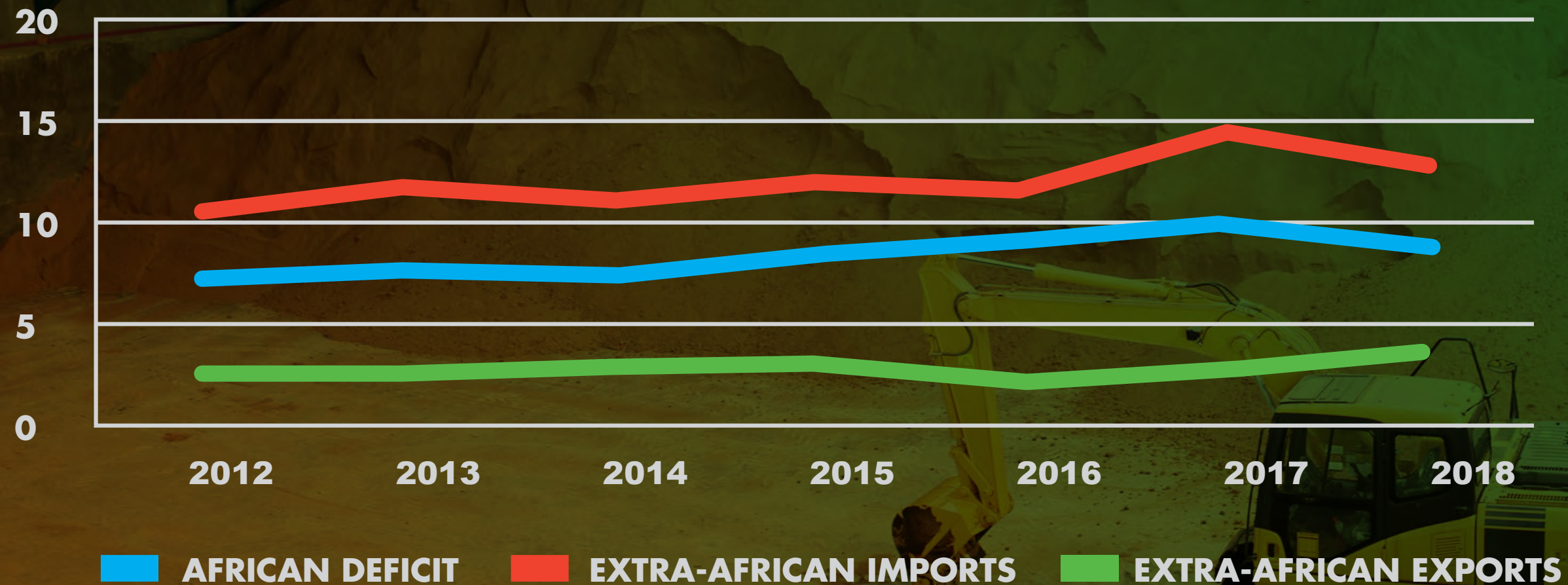
## AFRICAN PRODUCTION AND CONSUMPTION TRENDS





# CURRENT **TRADE PATTERNS** in AFRICA

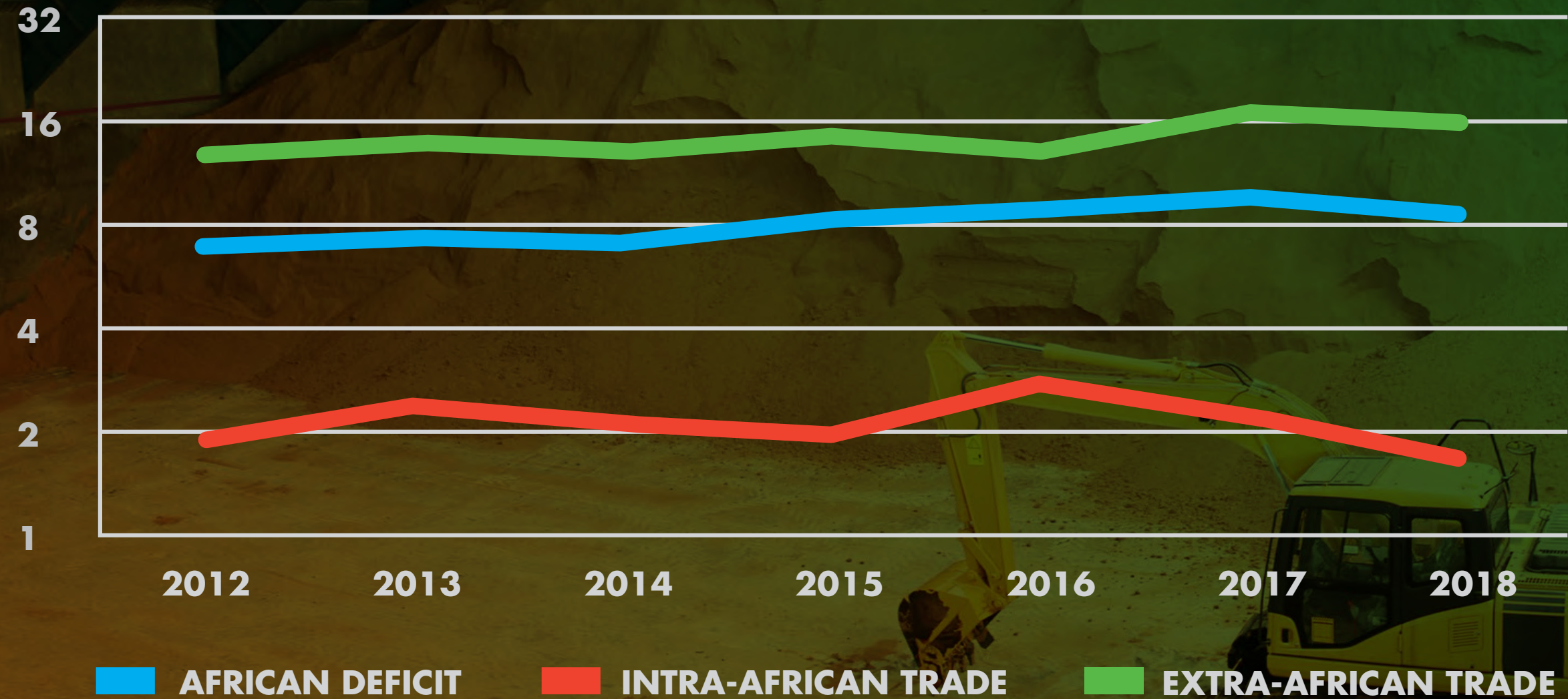
**AFRICAN SUGAR TRADE WITH THE ROTW (MT)**





# CURRENT **TRADE PATTERNS** in AFRICA

INTRA-AFRICAN SUGAR TRADE (MT)







# WHY IS INDUSTRY EXPANSION NOT KEEPING PACE?

The current African Sugar deficit is equal to more than 70% of current African sugar production



# The **WORLD RAW SUGAR MARKET PRICE** does not reflect actual cost of producing sugar due to subsidies and over supply



Weighted World Average Cost of producing one MT of sugar  
Cost of Production: "Sugar Cost of Production, Global Benchmarking Report I/MC International, Oxford, England, July 2014, Updated with Illovo Sugar Africa internal information 2015-17



**IMPORTS OF DUMPED  
SUGAR AT SUB-ECONOMIC  
PRICES ARE FILLING THE GAP**

- Distorting natural trade flows in sugar in Africa
- Discouraging investment
- Displacing home-grown job opportunities

SUBSIDISED OVERPRODUCTION is EXPORTED TO THE WORLD MARKET enabling surplus sugar-producing countries to maintain jobs and economic activity at the EXPENSE OF AFRICAN SUGAR PRODUCERS and the countries in which they operate





**ONGOING  
EXPOSURE TO A  
DISTORTED  
GLOBAL SUGAR  
MARKET WILL  
IMPACT SEVERELY  
ON THE  
SUSTAINABILITY OF  
AFRICAN SUGAR  
INDUSTRIES AND  
THE SHARED VALUE  
THAT IS CREATED  
AS A RESULT** ▶



- ▼ Reduced economic benefit from sugar and downstream operations
- ▼ Farmer livelihoods impacted negatively
- ▼ Limited rural economic development and growth
- ▼ Limited investment, possible disinvestment
- ▼ Loss of taxes, loss of jobs



A satellite image of the African continent, showing the outlines of the major landmasses and surrounding oceans. The image is used as a background for the text.

# WHAT IS THE MARKET OPPORTUNITY ON TRADE?

“An immediate benefit on redirecting current African exports to the loss-making world market to preferential African markets”

“An investment opportunity to fill the deficit gap, calculated to be in the region of \$15 billion (\$3.5 billion refining capacity, \$10.7 billion)”



# HOW DO WE DO IT?

## A PROGRESSION OF REGIONAL TRADE PACTS

- The Tripartite Free Trade Area
  - Common market of Eastern & Southern Africa
  - Southern African Development Community
  - East African community
- The Economic Community of West African States (ECOWAS)
- The Intergovernmental Authority on Development (IGAD)
- The Economic Community of Central African states (ECCAS)
- The Community of Sahel-Saharan States (CENSAD)
- The Arab Maghreb Union (AMU/UMA)

**BUILDING BLOCKS TOWARDS  
THE AFRICAN CONTINENTAL  
FREE TRADE AREA**





# HOW DO WE DO IT?

## THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT

### THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT

- 1.2 BILLION consumers
- GDP \$4 TRILLION
- ACTIVATED end May 2019
- Details still to be NEGOTIATED !
  - Trade liberalisation schedules
  - ROO

### TRADE IN SUGAR

- A deficit sugar producing region -
  - Demand for 19 million tons
  - Production of 11 million tons
- Deficit equal to 70% of current production represents vast investment opportunities





# ESSENTIAL REQUIREMENTS FOR SUCCESS

is aligning all stakeholders to common interests so as to drive sustainable positive economic outcomes

Aligned trade and investment policies across African sugar industries are needed to address the challenges to trade and sustainable investment -

- Global sugar markets are distorted by trade and investment subsidies
- A level playing field is essential
- Preferential trade in sugar under the AFCFTA offers the key that will develop markets and support sustainable investment
- A fair African sugar market for the African sugar sector - African sugar for African Markets.

The African sugar sector offers a clear opportunity for SUSTAINABLE INVESTMENT and PARTICIPATIVE GROWTH across a vast value-chain. Its development is well-aligned with the resources available to OUR PEOPLE. It is a vast and untapped AFRICAN ASSET. Let's not waste it.



# THANK YOU



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