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## Corporate Developments in the Sugar Industries of East and Southern Africa

### Introduction

This is the third report of the IUF African Sugar Project in 2002. It deals with corporate structure and recent developments in the sugar industries of East and Southern Africa, focussing on two South African companies, Illovo Sugar and Tongaat-Hulett, which hold an enormous influence in the regional industries – they *almost* are the sugar producing industries –, and two management-technical-services companies, Booker Tate (Murray & Roberts) and F.C.Shaffer.

The report does not include an overview of the Mauritian sugar groups, which have undertaken a major restructuring of their own industry and show a strong participation in the sugar industries of the continent, including Tanzania and Mozambique in East and Southern Africa.

In previous reports the IUF sugar project explored the structural configuration of the industries (*Structural Aspects of the Sugar Industries in East and Southern Africa*), and the political/trade aspects (*Trade Agreements in the Sugar Industries of East and Southern Africa*). A third aspect of the research has to deal with the corporate structure, without which any description or analysis – less so a trade union strategy – is incomplete.

When talking about economic and trade matters, the trend to speak about countries and governments as main agents correspond to the political structures, which is still an important factor; after all governments are still responsible for the definition of economic policies, notwithstanding the pressure to liberalise economies and implement market reforms. There is a need to analyse the sugar situation from different angles: the fundamental aspects: who is producing what, where and at what cost, who is buying how much from where, etc.; the political realm: the soundness, objectives and actual implementation of government policies, for instance; and the corporate realities: what actors are involved in the actual production. This report deals with the latter.

Talking about the annual economic growth rate of 11.7 percent posted by Mozambique in the first half of 2002 and the participation of foreign companies, the Johannesburg-based Mail & Guardian comments posted on the All Africa web site on 10 October 2002:

*And not all foreign investors are good employers. While the lowest wage paid at Mozal (aluminium smelter) is equivalent to more than R3600 a month, the Maragra sugar plantation, about 80km north of Maputo, where the majority shareholder is the South African Illovo group, pays its cane cutters the equivalent of R15 a day.*

*Somebody who is expected to cut six tonnes of sugar cane a day to earn R15 might find claims that the Mozambican economy is one of the fastest growing in the world hard to stomach.*

The corporate structure in the sugar industries of East and Southern Africa is determined to a high degree by the activities of only two companies, Illovo Sugar and Tongaat-Hulett, both from South Africa. The combined sugar production of the two companies is over 2 million tonnes, which represent some 20 percent of the total African sugar output of 9.9 million tonnes. Their presence becomes even more important at the regional level, where the companies control (either on their own or in combination) over 80 percent of the sugar industry in South Africa, the largest in the continent; virtually 100 percent in Zambia and Malawi; three of four mills in Mozambique; are responsible for half the sugar produced in Swaziland; control the largest producer in Zimbabwe, and one of them recently bought into Tanzania, where it controls about 40 percent of the national sugar output. The only countries in East and Southern Africa – from among those that were the geographic focus of the IUF regional project – not touched by them are Uganda, Kenya and Mauritius. One of them, however, sold its sugar (and hotel) concerns it hold in Mauritius in 2001 and both, Illovo and Tongaat-Hulett, have expressed some interest in taking a stake in the industry of Kenya. (The research found no reference to a possible interest in Uganda's sugar industry.) Therefore, from the corporate viewpoint, there is not much outside these two South African sugar giants.

The implications on the international sugar industry of this tight corporate control over the industries in the region are important. Firstly, some of the countries (Zambia, Malawi, Mozambique, Zimbabwe, and also South Africa) are ranked among the lowest-cost producers in the world, thanks to favourable agricultural conditions and very low labour costs. Second, several of these industries benefit from preferential markets in the European Union through the sugar arrangement between the EU and the Africa, Caribbean and Pacific (ACP) countries and the "Everything but Arms" trade initiative approved in 2001. They also have access, although in more limited volume and prices to tariff-rate sugar quota of the United States. Third, South Africa is one of the largest exporters to the international "free" market and their stance is for furthering the liberalisation process in the world trade of agricultural products, including sugar. Finally, from a local/national trade union perspective, negotiating with transnationals like Illovo and Tongaat, which enjoy such power in the regional industries, requires coordinated negotiations based on a fluid exchange of information and also trade union solidarity actions, in particular when the corporate practices seem to remove from the local scene any major influence in the decision-making process. A very recent and quite clear example of the latter was experienced in the 2002 wage negotiations in two of the sugar industries of the region, when unions negotiated with the same company only one week apart and where the directive to offer "inflation rate minus one" came from a South African city, some 1,500 km to the south, as the crow flies.

## 1- Illovo Sugar

In May 1997 the most important corporate development in recent years in the African sugar industry took place: the South African Illovo Sugar purchased a 94.25 percent stake in Lonhro Sugar Corporation for USD 360 million, from the parent company Lonhro plc. The transaction made Illovo the largest sugar producer in Africa, transforming a mainly domestically oriented company into a regional giant, with the acquisition of sugar operations in Malawi, Swaziland, and Mauritius, in addition to concerns in South Africa.

**Table 1 - Corporate Growth of Illovo Sugar 1997-2002**

<b>Country</b>	<b>Company &amp; Plant Acquired</b>	<b>Date</b>
Mozambique	Maragra Sugar	November 1996
Malawi	Dwangwa Sugar Corp.	May 1997
Malawi	Sugar Company of Malawi (SuCoMa)	May 1997
South Africa	Glendale Sugar Ltd.	May 1997
Swaziland	Ubombo Ranches Ltd.	May 1997
Tanzania	Kilombero Sugar	March 1998
United States	Monitor Sugar	July 1999
Mauritius	Britannia	May 1997 – divested in April 2001
Mauritius	Highlands	May 1997 – divested in April 2001
Mauritius	Mon Tresor/Mon Desert	May 1997 – divested in April 2001
Zambia	Zambia Sugar	April 2001

Illovo Sugar is a company mainly focussed on the growing of sugar cane and the manufacturing of sugar and sugar-related (“downstream”) products. Among the latter, Illovo produces furfural and its derivatives, high quality ethyl alcohol, lactulose and dextran in the South African plants. These products are usually sold in international markets. In the United States, Monitor Sugar also produces beet pulp for direct sale in the US market and Canada.

**Table 2 – Scope of Illovo Sugar Operations**

Country / Plant	Cane growing	Sugar manufacturing	Sugar refining	Sugar packaging	Downstream production	Warehousing & distribution
<b>South Africa</b>						
Pongola						
Umfolazi						
Gledhow						
Glendale						
Noodsberg						
Eston						
Umzimkulu						
Merebank						
Durban						
<b>Malawi</b>						
Nchalo						
Dwangwa						
<b>Swaziland</b>						
Ubombo						
<b>Zambia</b>						
Nakambala						
<b>United States</b>						
Monitor						
<b>Tanzania</b>						
Kilombero (*)						
<b>Mozambique</b>						
Maragra (*)						

*Source: Illovo Sugar, Annual Report 2001*

### **Illovo Sugar: Operations and Markets**

By 2002 Illovo Sugar operations produce about 5.4 million tonnes of cane and 2.2 million tonnes of sugar (including cane processed by Illovo but grown by independent growers). Table 3 shows the Illovo's sugar operations.

**Table 3 – Sugar Operations of Illovo Sugar**

<b>Country : Sugar tonnage</b>	<b>Plant</b>	<b>Capacity</b>	<b>Other</b>
South Africa:  1.25 million tonnes	Pongola	5,000 tdc, 600 drc	
	Umfolozi	6,000 tdc, 700 drc	
	Gledhow	7,200 tdc, 800 drc	
	Glendale		Ethyl alcohol
	Noodsberg		
	Eston	5,000 tdc	
	Sezela	10,800 tdc	Furfural
	Umzimkulu	5,500 tdc	
	Merebank		Ethyl alcohol, lactulose, dextran
Malawi: 240,000 tonnes	Nchalo	7,200 tdc, 500 drc	
	Dwangwa	4,000 tdc, 480 drc	
Swaziland: 220,000 tonnes	Ubombo	8,400 tdc, 50 drc	
Zambia: 205,000 tonnes	Nakambala	7,200 tdc, 280 drc	
United States: 185,000 tonnes	Monitor Sugar (Bay City)	8,000 dc (beet)	Desugarisation of molasses
Tanzania: 75,000 tonnes	Kilombero - Msolwa	2,175 tdc	
	Kilombero -Ruembe	2,400 tdc	
Mozambique: 70,000 – 100,000 tonnes	Maragra	4,000 tdc	Designed & managed by Booker Tate

Illovo controls about 44 percent of the domestic market in South Africa; it is the sole sugar supplier to the Malawi domestic market, and controls almost all the sugar market in Zambia (about 97.5 percent). It has about 39 percent share in the Swazi market, which is supplied by the Swaziland Sugar Association on behalf of producers (only two sugar processing companies). Monitor Sugar, a beet processor in the United States, produces about 185,000 tonnes of sugar. Operations in Tanzania and Mozambique are still in the initial stages. Production at Tanzania’s Kilombero, around 45 percent of the country’s output, is mostly sold in the domestic market. Mozambique’s Maragra, when fully operational, could target the EU markets, in addition to local consumption.

In the regional sugar markets, Illovo has a commanding presence in the Southern African Custom Union (SACU) and the Southern African Development Community (SADC). In the former there are only two sugar producing countries (South Africa and Swaziland), while in SADC Illovo’s presence is important in Malawi and Zambia, as

described in the paragraph above, and Tanzania and Mozambique – in addition to South Africa and Swaziland.

Illovo Sugar has access to preferential markets in the European Union (EU) and the United States. In the EU, it benefits from the EU-ACP preferential sugar arrangement through operations in Malawi and Swaziland (probably also from Tanzania), and from the EU's "Everything But Arms" trade initiative through its operations in Malawi and Zambia. Illovo's operations in Malawi and Swaziland have access to the U.S. sugar quota system as well. In 2001, including the Mauritius operations of Mon Tresor/Mon Desert, the Group sold 208,000 tonnes of sugar to the preferential markets in the EU and the U.S.

Illovo's South Africa- and Swaziland-based operations also expose the company to world sugar market fluctuations. South African operations export about 50 percent of the 1.25 million tonnes of sugar to the world market, while Swaziland's Ubombo Ranches exports about 30,000 tonnes of sugar (some 14 percent of its total production of 220,000 tonnes). In the 2001/02 campaign, Illovo's Annual Report says, the South African sugar industry "hedged" about 915,000 tonnes of sugar at a price of USD 196 per tonne, equivalent to US 8.8 cents per pound. The ISA monthly average price dropped below US 8.11 cents per pound of raw sugar in August 2001 and for all 2002 has been below US 7.7 cents per pound (US 5.75 cents in June 2002). Illovo was protected against the decline of the international "free" market price. In the same campaign, South Africa's industry cover some USD 88 million in exports proceeds at an exchange rate of ZAR 8.07 = USD 1.00. In the past year, since November 2001, the value of the South African rand has been over 9 rands to the US dollar. (At the moment of writing, the exchange rate is ZAR 10.39 = USD 1.00.) These two financial tools have strengthened the recent good performance of Illovo.

**Table 4 - Sources of Operating Profits in Illovo Sugar**

	2002	2001	2000
<b>Operation Profits by Country (in %)</b>			
South Africa	42	39	32
Malawi	20	31	26
Swaziland	10	19	20
Mauritius	-	8	14
United States	7	3	8
Zambia	21	-	-
<b>Operating Profits by Activity (in %)</b>			
Sugar Production	64	59	55
Cane Growing	22	23	31
Downstream and others	14	18	14
<b>Total profits in ZAR million</b>	<b>755.9</b>	<b>580.5</b>	<b>618.5</b>

*Source: Illovo Sugar, Annual Reports 2001, 2002*

Most of the Illovo Sugar operations are well documented (South Africa, Swaziland, Malawi and Zambia). In the following paragraphs the focus is on Maragra in Mozambique and Kilombero Sugar in Tanzania, both in a process of rehabilitation. The companies are still considered a "managed investment," where Illovo control

management, but do not have a majority stake in them. Financial results from both companies are not yet consolidated in the financial performance of the group.

**Maragra in Mozambique.** Illovo acquired a 50 percent stake in Maragra, a company with a 4,000-tdc mill that, although had not operated for a year, was reported in good technical conditions. Illovo paid USD 9 million for its initial stake, while it was estimated that the rehabilitation program would require some USD 19 million for the rehabilitation of the mill and related infrastructure. The rehabilitation of some 6,200 hectares of cane fields was estimated at USD 25 million.

Illovo also got the contract for the rehabilitation program and the management of the mill. Sources involved in financing include the European Investment Bank, the German Bank of Cooperation, the African Development Bank, and the Standard Bank of South Africa. Reportedly, these institutions had required that an experienced foreign partner run the project in order to release their financial support. Maragra is located 70 km. northeast of Maputo. (*Sugar World*, December 1996, p. 2)

Production goals for Maragra were initially set at 70,000 tonnes of sugar per year, but plans were delayed because of the floods that hit the country in February 2000. In 2001 Maragra produced about 15,000 tonnes of sugar and saw the rehabilitation of some 2,600 hectares – which increased company-lands to about 3,000 hectares, and the planting of some 2,900 hectares under five (05) independent growers. With these fields rehabilitated, the 2002 campaign expects to process some 600,000 tonnes of cane, which would bring the company to the goal of 70,000 tonnes of sugar.

**Kilombero Sugar in Tanzania.** Kilombero Sugar comprises two mills and two cane estates - Msolwa (Kilombero 1) and Ruembe (Kilombero 2) - located on the banks of the Great Ruaha River, some 370 km southwest of Sar-es-Salaam. In March 1998, Kilombero was the first state-owned sugar company to be privatised in Tanzania. Illovo Sugar and the London-based ED & F Man (a commodities trading house) acquired 75 percent of the company for an undisclosed amount and the government retained the remaining 25 percent. Sugar production was about 30,000 tonnes per year. In the 2001 campaign Kilombero produced 61,500 tonnes of sugar, and in 2002 reached an all-time record of 72,499 tonnes of sugar (32,963 tonnes from Msolwa; 39,536 tonnes from Ruembe). From the total 550,000 tonnes of cane processed by the mills, some 420,000 tonnes are grown in company lands, the rest by independent cane growers. Kilombero is still under a rehabilitation program when completed should increase production to 100,000 tonnes of sugar per year. At present, Kilombero accounts for about 45 percent of the country's total sugar output of 165,000 tonnes (2001/02 production figures).

Illovo also established Kilombero Sugar Distributors – with a 20 percent ownership –, which allows the company to outsource the domestic marketing of sugar.

## 2. The Tongaat-Hulett Group

The Tongaat-Hulett Group is a South Africa-based conglomerate active in four main economic sectors through four different divisions: Tongaat-Hulett Sugar in the sugar and sweeteners industry; African Products in starch & glucose manufactured from maize; Hulett Aluminium in aluminium; and Moreland in residential and industrial land development. Until recently it had concerns in Tongaat Textiles, which was sold to the South African Aranda Textile Mills in June 2001; and in Corobrik, building materials, sold to the Scandinavian Buildings System Company in May 2001.

The Tongaat-Hulett Group has broad markets in geographic and sectoral terms. Although most of its revenue is realized in South Africa, the group also sells to countries in the rest of Africa, to Australia and some Asian countries, North America (mostly United States) and Europe. About half the company's shareholders control about 94 percent stake in the company and Anglo American, the UK-based giant in mining and natural resources, control 50.71 percent stake of Tongaat-Hulett Group.

**Table 5 - Sources of Revenue and Profits in Tongaat-Hulett 2000-2002**

	June 2002 (a)	as %	2001	as %	2000	as %
<b>Revenue in ZAR million</b>						
Tongaat-Hulett Sugar	1,503	50.5	2,631	47.0	2,528	47.2
African Products	678	22.8	1,085	19.4	899	16.7
Moreland	50	1.7	135	2.4	137	2.6
Hulett Aluminium (50%)	745	25.0	1,270	22.7	1,015	18.9
Other (b)	-	-	472	8.4	786	14.7
<b>Total Group</b>	<b>2,976</b>		<b>5,593</b>		<b>5,365</b>	
<b>Earnings before interest and tax in ZAR million</b>						
Tongaat-Hulett Sugar	201	56.5	320	35.1	319	48.3
African Products	106	29.8	148	16.2	100	15.2
Moreland	4	1.1	28	3.1	23	3.5
Hulett Aluminium (50%)	88	24.7	134	14.7	1025	15.5
Triangle dividend	31	8.7	76	8.3	62	9.4
Other (b)	(74)		205	22.5	30	8.2
<b>Total Group</b>	<b>356</b>		<b>911</b>		<b>660</b>	

Notes:

(a) Unaudited results to June 2002.

(b) Includes gains/losses on exchange rate, corporate and discontinued operations.

Source: Tongaat-Hulett Annual Reports

Recent news said, on one hand, that Tongaat would like to focus on sugar, its core business, having recently already sold the textiles and building arms. This trend might coincide with a move by Anglo American which has been reported as also focussing on

its core business and therefore considering selling its share in the Tongaat-Hulett Group. On the other hand, Tongaat's chief executive officer said that the company's had strong "relationships" with governments in the countries in which it operates and would need a strong parent (company) that could "identify and exploit opportunities for them." (Peter Staude quoted by *Business Day*, 6 August 2002. Internet edition.)

### Tongaat-Hulett Sugar

The Tongaat-Hulett Sugar division is the largest source for revenue (about 50 percent) and earnings (over 56 percent) for the Tongaat-Hulett Group. The main base of operations for Tongaat-Hulett Sugar ("Tongaat") is South Africa, where it owns five raw sugar mills, a central refinery in Durban, and extensive cane estates. It is also involved in the marketing of sugar, in molasses and bagasse-based animal feed products, and in the manufacturing of other sweeteners. Tongaat accounts for about 46 percent of the South African sugar production. Cape Sweeteners, a division of Tongaat, manufactures high-intensity sweeteners like Aspartame and Acesulfame-K. Cape Sweeteners is the exclusive agent in South Africa for Nutrasweet (Aspartame), Purac (Lactilol) and Staleys (Polydextrose).

In other countries in the region, Tongaat owns Tabamkulu Estates in Swaziland, Mafambisse and Xinavane in Mozambique, and Triangle Sugar in Zimbabwe. It is estimated that in the 2002/03 harvest, Tongaat will produce some 1.2 million tonnes of sugar from all its sugar operations. Tongaat has also expressed interest in making "significant moves" into Uganda and Tanzania, and Mozambique, Swaziland and Zimbabwe.

**Table 6 – Sugar Operations of Tongaat-Hulett**

Country	Unit	Capacity	Acquisition Date
South Africa	Amatikulu	9,000 tdc	
	Darnall	7,500 tdc	
	Entumen	1,680 tdc	
	Felixton	14,400 tdc	
	Maidstone	8,600 tdc	
	Durban (refinery)	600,000 t/y	
Mozambique	Xinavane	2,400 tdc	49 percent stake in March 1998 (option for an additional 11 percent) - Designed & managed by Booker Tate
	Mafambisse	4,300 tdc	75 percent stake in March 2000
Swaziland	Tambankulu	360,000 t of cane, 50,000 t sugar	March 1998
Zimbabwe	Triangle	9,000 tdc, 120,000 dap, 40 million lt aap	

Notes:

tdc: tonnes of daily processing capacity

t/y: tonnes per year  
dap: daily alcohol production (litres)  
aap: annual alcohol production (litres)

Tongaat is the second most important player, after Illovo Sugar, in the sugar markets of East and Southern Africa. As Illovo, it sells most of its sugar production from the South African operations in the world market, while Swaziland can indirectly benefit from the European Union preferential treatment (see more on Swaziland below). The European Union market could open to Tongaat's Mozambican investments (Mafambisse and Xinavane) as well. Triangle Sugar in Zimbabwe produces some 300,000 tonnes of raw sugar and about 54,000 tonnes of refined sugar, but business for Triangle in the immediate future is, to say the least, uncertain.

In the regional markets, Tongaat's sugar concerns are related to the Southern African Custom Unions (SACU), which is mainly South Africa and Swaziland; the Southern African Development Community (SADC), with Mozambique and Zimbabwe in addition to the two mentioned countries.

As in the case of Illovo, Tongaat's raw sugar mills and central refinery are well documented. What follows focussed on the operations in Mozambique, Swaziland and Zimbabwe.

***Mafambisse and Xinavane in Mozambique.*** In March 1996, Tongaat signed an agreement to rehabilitate Mafambisse, with an option to acquire a majority stake any time after January 1997. In March 2000, after managing Mafambisse for three years, Tongaat acquired a 75 percent stake. Sugar production in Mafambisse grew from 31,000 tonnes in 2000 to 34,000 tonnes in 2001; and in the first half of 2002 production has been 44,000 tonnes. Installed capacity in the mill is for 90,000 tonnes of sugar per year.

Tongaat acquired a 49 percent stake in Xinavane in March 1998, while the government owns the remaining 51 percent. Tongaat retains the option to buy an additional 11 percent. The rehabilitation program suffered some delays and the harvest began late in the 2001/02 campaign, and the mill operated for only one month producing 2,000 tonnes of sugar. The company reported, however, that a substantial volume of cane – about 100,000 tonnes – was carried over to the next harvest. In the first half of 2002, Tongaat said that 36,000 tonnes of sugar had been produced in Xinavane. Xinavane's plans for expansion from 2000 include increasing sugar production to 50,000 tonnes in the short-term and to 140,000 tonnes in the long-term. It was said also that by 2003, a 12,000-hectare plantation will start supply the mill, which would triple its processing capacity to about 290 tonnes of cane per hour (7,000 tdc from the listed 2,400 tdc).

The Açucareira de Mozambique is the legal entity running Mafambisse, while the Açucareira de Xinavane runs the Xinavane mill. Tongat-Hulett Açucar Limitada is the trading arm for both companies.

Tongaat's concerns in the Mozambican sugar industry have some bright perspectives, along with the sugar investments of Illovo Sugar and some Mauritian companies, in the European Union because of the EBA trade initiative. The industry is reckoned potentially

among the lowest cost producer in the world – in great part because extremely inexpensive labour costs – which would be able to sell into a very remunerative market.

**Tambankulu Estates in Swaziland.** Effective the last day of March 1998, Tongaat acquired Tambankulu Estates located in the northeast region of the country. The estate has some 3,100 hectares under cane, 540 hectares under citrus and about 150 hectares in cotton. Tambankulu ranks among the richest cane fields in the world, with averages of 110 tonnes of cane per hectare and sucrose yields of 14 percent. The cane is processed in the Mhlume and Simunye mills, which merged in one operation in 2001.

**Triangle Sugar in Zimbabwe.** Triangle Sugar is a wholly owned subsidiary with cane estates, raw sugar mill and a refinery; in addition to an alcohol distillery. Triangle it owns a third-share in a packaging operation in Botswana. The performance of the company is difficult to assess because of the quite unstable situation in the country. Notwithstanding the burgeoning economic, political and social crisis, Triangle Sugar accounts for about 9 percent of the Group's earnings and about 15 percent in comparison with the total earning from the sugar division. The Group reported that Triangle was obliged to sell 40 percent of its export earnings (foreign exchange) to the Zimbabwe government at the official exchange rate – which in June 2002 reached a 12:1 ratio with the parallel or black market. Nonetheless, Triangle is capable of ensuring normal operations by retaining 60 percent of its export earnings.

A note worth mentioned is that Hippo Valley, the other sugar producer in Zimbabwe, is a subsidiary of Anglo American, which, as seen, is Tongaat's parent company.

### 3- Murray & Roberts: Booker-Tate

On 10 August 2000, the South Africa-based Murray & Roberts acquired Booker Tate, a company specialised in the engineering, project financing and management of sugar industries around the world. The transaction was reported at 9.1 million pounds sterling.

The transaction was part of the reshaping of Tate & Lyle, then a major player in the international sugar industry, away from the raw sugar manufacturing and into the business of value-added carbohydrates. Tate & Lyle has sold in recent years their sugar concerns in Zambia and Zimbabwe in Africa, and also in Australia, United States, Vietnam, among others. It still keeps, however, the world's largest sugar refinery on the Thames in London. Booker plc, the other partner in Booker Tate, also sold its 50 percent share to Murray & Roberts. Murray & Roberts is a large South African company involved in the "extraction, beneficiation and industrialisation of natural resources," and its scope, although mainly African, extends to 50 countries around the world.

Booker Tate was formed in 1988 by the merger of Booker Agricultural International and Tate & Lyle Technical Services. Murray & Roberts said that the acquisition underlined its move from "assets to knowledge" and also said that it expected that the staff would stay working for the new owners, because "that was what it had paid for."

Booker Tate has multiple concerns in the international sugar industry, in great part because the parent companies' long involvement in the industry: Tate & Lyle was at some point the largest sugar and sweetener company in the world, and Booker traces its roots to the Caribbean sugar industry from the 18<sup>th</sup> Century.

**Table 7 - Booker Tate - Management Contracts (1997/98 crop year)**

Country	Company	Year Service Started	Area managed (ha)	Production (tonnes)
<b>Africa</b>				
Kenya	Mumias Sugar Company	1968	43,780	219,731
Kenya	South Nyanza Sugar Company	1986	19,670	63,742
Swaziland	Royal Swaziland Sugar Corporation	1978	11,030	146,493
Uganda	Kinyara Sugar Works Limited	1990	6,000	35,390
<b>Middle East</b>				
Saudi Arabia	United Sugar Company	1996		433,588
<b>Asia Pacific</b>				
Papua New Guinea	Ramu Sugar Limited (includes 20,000 ha Ramu Ranch)	1979	28,000	39,300

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Indonesia	GPM Group (harvested area)	1998	46,072	361,207
<b>America/Caribbean</b>				
Barbados	Barbados Agricultural Management Co.	1993	8,100	46,303
Belize	Belize Sugar Industries	1967	24,280	118,112
Jamaica	Sugar Company of Jamaica	1985	31,010	128,629
Guyana	Guyana Sugar Corporation	1990	46,740	273,016
<b>Total</b>			<b>264,682</b>	<b>1,865,511</b>

Source: Booker Tate web site: <http://www.booker-tate.co.uk/Sugar.htm>

In addition to running the top management of these companies – some of which hold a complete control over their country’s sugar industries –, Booker Tate also works in the project design and financing areas. A recent example is their participation in Mozambique, where Booker Tate is involved in the rehabilitation and management of Maragra, on behalf of Illovo Sugar, and the rehabilitation of Xinavane, for Tongaat. In Kenya, addition to its involvement in Mumias Sugar, Booker Tate has also been mentioned in the possible – and long talked-about – construction of a new mill in Busia, which would employ some 6,000 people. The new mill, it is said, would comprise a co-generation project – a scheme that was also proposed for Mumias, and the Belize Sugar Industries in the Central America/Caribbean region.

Some of the companies managed by Booker Tate include several mills, as in the case of Barbados (2 mills, after one was closed at the end of the 2002 harvest), Jamaica (three and indirect management in other two mills), and Guyana (eight mills, and a contract to manage a new mill to be built in the near future). In total, reportedly Booker Tate manages some 25 mills around the world.

### **Murray & Roberts: Unitrans**

Unitrans is involved in the freight and passenger transportation, among other areas. The group was established in 1962 and Murray & Roberts holds a 45 percent share in Unitrans – down from 57 percent in 1999. Unitrans Freight, one of the group’s divisions, services the sugar, commercial, fuel and chemical, and mining sectors. In sugar, it provides “comprehensive transport and logistics services,” including harvesting, loading and transportation of cane, delivery of bulk and packed sugar, and activities in land preparation and road maintenance.

For several years, Unitrans has been a leading company in the transportation area of the sugar industry in South Africa and also had a participation in the Lonhro sugar operations in Malawi. A business analyst says that Unitrans recent expansion in other sugar industries of the region has “piggybacked” on the expansion of Illovo and Tongaat.

At present, Unitrans sugar operations, beside South Africa, include Illovo's Nchalo and Dwangwa in Malawi, inherited from Lonhro; Simunye in Swaziland – probably also benefiting from the recent merger of Simunye with Mhlume –; Kilombero in Tanzania (another Illovo operation); and also long-term contracts in Mozambique: Tongaat's Xinavane and Mafambisse, and Illovo's Maragra. It is estimated that in these seven mills, which do not include South African operations, Unitrans transports over 3 million tonnes of cane per year. (Herb Payne in *MoneywebKZN*, posted on the web on 2 July 2002.)

#### **4- F.C.Schaffer**

The Louisiana, U.S.-based F.C.Schaffer & Associates International, L.L.C is involved in the area of project design and financing and operations of technical nature and has taken part in several sugar projects in several countries of the region. The company specialises in feasibility studies, which can be followed-up through the implementation phase, including the identification and arrangement of financing. (In Appendix 3 appears a list of sugar feasibility studies sponsored by the U.S. Trade and Development Agency, which are usually tied to the participation of U.S.-based companies.) In recent years, Schaffer has been involved in providing consultancy services in the context of privatisation programs. The company has completed projects in about forty countries around the world.

In 1990, Shaffer was awarded a contract for a technical rehabilitation and management in Mafambisse, and in 1999 was awarded a rehabilitation program of the Xinavane mill. Both mills are in Mozambique and currently run by Tongaat. In Kenya, Schaffer is involved in the Nzoia mill since 1998, when the government hired Schaffer under a three-year management contract.

A major sugar project in Africa has been the Kenana Sugar Company (KSC) in Sudan, which, although outside the scope of the area of this report, it has an impact on the future configuration of the regional markets (COMESA in particular) and the corporate structure. In 1980 KSC started operations based on a mill designed and built by Schaffer, which also managed it until 1984. After that year, Schaffer has provided technical assistance and participated in the company's expansion. Kenana Sugar produces nowadays over 470,000 tonnes of sugar per year.

### Sources Consulted

Company information for this report was compiled from three main sources: the companies' own web sites, which are a fairly good source on technical and financial matters; local newspapers in the countries where these companies operate, also on their Internet edition; and information from local trade unions visited during the field trips in March and June 2002. Some of the information appeared on the *Sugar Worker*, an electronic newsletter published by the IUF.

Some of the most relevant company web sites are:

- Illovo Sugar: [www.illovosugar.com](http://www.illovosugar.com)
- Tongaat-Hulett Sugar at [www.hulett.co.za](http://www.hulett.co.za) and also the web site for the Tongaat-Hulett Group at [www.tongaate.co.za](http://www.tongaate.co.za)
- Booker Tate: [www.booker-tate.co.uk](http://www.booker-tate.co.uk) Also related is the web site of Murray & Roberts at [www.murrob.com](http://www.murrob.com) where there appears links to related companies such as Unitrans.
- Transvaal Sugar, the third and smaller sugar partner in South Africa, at [www.tbs.co.za](http://www.tbs.co.za).
- F.C. Schaffer at [www.fcshaffer.com](http://www.fcshaffer.com)

Some valuable source for news from the African industry is the All Africa site at [www.allafrica.com](http://www.allafrica.com), which reproduces news from the different countries; the news section of the Sugar Engineers' Library website at [www.sugartech.co.za/news](http://www.sugartech.co.za/news), and the international (U.K.-based) sites of News Now at [www.newsnow.co.uk](http://www.newsnow.co.uk) and [www.sugaronline.com](http://www.sugaronline.com). In all these sites, the search engine has to be used (usually the work "sugar" is sufficient), and SugarOnLine requires reader to fill a free-registration form. The *Sugar Worker* is available at the IUF web site at [www.iuf.uk.org](http://www.iuf.uk.org), through the "sectors" menu.

**Appendix 1**

**Corporate Information on Illovo Sugar**

<b>Associate companies</b>	
Company	Percentage owned
KILOMBERO SUGAR DISTRIBUTORS (PTY) LTD (Tanzania)	20%
LACSA (PTY) LTD	50%
MARAGRA ACUCAR SARL (Mozambique)	50%
RELAX LTD	50%
<b>Direct subsidiaries</b>	
Company	Percentage owned
CGS INVESTMENTS (PTY) LTD	100%
EAST AFRICAN SUPPLY (PTY) LTD	100%
EUREKA TRADING LTD	100%
GLENDALE SUGAR LTD	100%
ILLOVO DISTRIBUTORS (PTY) LTD	100%
ILLOVO GROUP HOLDINGS LTD	100%
ILLOVO PROJECT SERVICES LTD	100%
ILLOVO SUGAR (AFRICA) LTD	100%
ILLOVO SUGAR (MAURITIUS) LTD	100%
ILLPROP (PTY) LTD	100%
MONITOR HOLDINGS LTD (United States)	100%
PALAA CONSULTORES MARKETING E SERVICOS LDA	100%
REYNOLDS BROTHERS LTD	100%
SUGAR CORP OF MALAWI LTD, THE (Malawi)	60%
UBOMBO SUGAR LTD (Swaziland)	60%
ZAMBIA SUGAR PLC (ZAMBIA)	89.1%
<b>Indirect subsidiaries</b>	
Company	Percentage owned
ILLOVO (MALAWI) LTD	99.98%
MONITOR SUGAR CO (USA)	100%
SUCOMA HOLDINGS LTD	100%

Source: Who is who, web site.

**Appendix 2**

**Information on the Tongaat-Hulett Group**

**Associate companies**

Company	Percentage owned
ACUCAREIRA DE XINAVANE SARL (MOZAMBIQUE)	49%

**Direct subsidiaries**

Company	Percentage owned
ACUCAREIRA DE MOZAMBIQUE SARL (MOZAMBIQUE)	75%
AFRICAN PRODUCTS (PTY) LTD	100%
CHIRON PROPERTIES (PTY) LTD	60%
DAVID WHITEHEAD & SONS (SA) (PTY) LTD	100%
DELVILLE ESTATES LTD	100%
FORMAT DEVELOPMENT CORPORATION (PTY) LTD	100%
HULAMIN (JOINT VENTURE)	50%
HULETT ALUMINIUM (PTY) LTD	50%
HULETT REFINERIES LTD	100%
MORELAND ESTATES (PTY) LTD	100%
PHOENIX SOUTH INDUSTRIAL PARK JOINT VENTURE	50%
PRIME RESOURCE MANAGEMENT LTD (BRIT VIRGIN ISL)	100%
PRIME SUGAR SALES LTD (BRIT VIRG ISL) (JOINT VENT)	50%
SCOTTS PROPERTIES LTD	77.9%
SELLAIR NOMINEES (PTY) LTD	100%
SOCIEDADE DE ASSISTENCIA A AGRIC E INDUSTRIA	75%
SUKUMANI DEVELOPMENT COMPANY (PTY) LTD	100%
SWAZILAND COTONA COTTON GINNING COMPANY LTD	100%
SWAZILAND RANCHES LTD (SWAZILAND)	100%
T-H SECURITY (PTY) LTD	100%
TAMBANKULU ESTATES LTD (SWAZILAND)	100%
TM INSURANCE BROKERS (PTY) LTD	70%
TONGAAT GROUP LTD, THE	100%
TONGAAT TEXTILES (PTY) LTD	100%
TONGAAT-HULETT ACUCAR LIMITADA	100%
TONGAAT-HULETT MANAGEMENT SERVICES (PTY) LTD	100%

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TONGAAT-HULETT PROPERTIES LTD	100%
TONGAAT-HULETT SUGAR LTD	100%
TONGAAT-HULETT SUGAR MILLS & ESTATES LTD	100%
TONGAAT-MUSHROOMS (PTY) LTD	100%
UMBULUZI ESTATES LTD (SWAZILAND)	100%
VOERMOL FEEDS (PTY) LTD	100%
WHITEHEADS FABRICS (PTY) LTD	100%
WHITEHEADS FABRICS LTD (UNITED KINGDOM)	100%
WHITEHEADS HOME TEXSTYLES (PTY) LTD	100%

**Indirect subsidiaries**

Company	Percentage owned
ALUMINIUM CITY (PTY) LTD	50%
HULETT ALUMINIUM FOIL (PTY) LTD	50%
HULETT ALUMINIUM PROFILES (PTY) LTD	50%
HULETT ALUMINIUM ROLLED PRODUCTS (PTY) LTD	50%
HULETT ALUMINIUM TRANSPORT SERVICES (PTY) LTD	50%
HULETT-HYDRO EXTRUSIONS (PTY) LTD	35%
JOHN J KIRKNESS (PTY) LTD	100%
MORELAND DEVELOPMENTS (PTY) LTD	100%
MORELAND PROPERTIES (PTY) LTD	100%
MOUNT EDGECOMBE ESTATES (PTY) LTD	100%
ROODEPOORT BRICK WORKS (PTY) LTD	100%
TRIANGLE SUGAR CORPORATION LTD (ZIMBABWE)	100%
ZIMBALI DEVELOPMENTS (PTY) LTD	100%

*Source: Who is who, web site.*

### Appendix 3

#### United States Trade and Development Aid (TDA) – Sugar Projects in Africa 1991-2002

As a shown of the potential for development of the African sugar industry, the information from the United States Trade and Development Agency (TDA) listed below describes some of the feasibility studies implemented by U.S.-based companies. It is important to note the significant participation of F.C. Schaffer in these projects.

TDA supports several missions of technical nature per year, which appraise official requests for planning grants. Many of these result in feasibility studies (FS), technical conferences and seminars (TS), and orientation ("reverse") trade missions (OV). Selected grants (on sugar and related activities) are listed below. (FY) refers to Fiscal Year. Value in USD.

#### U.S. Trade and Development Agency (TDA) - Projects in Africa 1991 – 2002 (Project in East and Southern Africa shaded)

Country	Project / US value	Description	Company / Year
Angola	Dombe Grande Sugar Industry Development, (FS), \$350,000	Feasibility Study Grant to the Ministry of Industry for the rehabilitation of a sugar plantation and mill at Dombe Grande, approximately 90 km from Lobito.	F.C. Schaffer & Associates - FY 96
Eritrea	Integrated Sugar Production Facility (FS), \$495,000	Feasibility Study Grant Amendment of \$200,000, based upon the cooperation and transfer of \$200,000 from U.S.A.I.D., for the mapping component of the development of an integrated sugar plantation and production facility.	F.C. Schaffer & Associates - FY 1995
Ethiopia	Finchaa Turn-Key Sugar Operations (TR), \$500,000	Training Grant to the Ethiopian Ministry of Industry in support of U.S. company F.C. Schaffer & Associates' bid to provide turn-key engineering services for the development of a sugar milling facility in Finchaa, Ethiopia.	FY 1995
Ethiopia	Integrated Sugar Production Facility (FS), \$495,000	Feasibility Study Grant Amendment of \$200,000, based upon the cooperation and transfer	F.C. Schaffer & Associates - FY 1995

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		of \$200,000 from U.S.A.I.D., for the mapping component of the development of an integrated sugar plantation and production facility.	
Ghana	Sugar Production (FS), \$184,000	Feasibility Study Grant for the development of two sugar production facilities with an agricultural complex in the Cape Coast.	F.C. Schaffer & Associates - FY 1993
Ghana	Tema Refinery Study (FS), \$420,000	Study of rehabilitation project for refinery near Accra.	Foster Wheeler - FY 1991
Ghana	Dove Agriplex, (FS), \$300,000	Study of a large-scale integrated agricultural and processing complex.	Harza Engineers - FY 1990
Kenya	Sugar Bagasse Electric Generation (FS), \$406,000	Feasibility study for the generation of electricity from sugar industry waste products.	Arkel International, Inc. -FY 1992
Kenya	Muhoroni Sugar Refinery (FS), \$300,000	Grant to Ministry of Agriculture for a study of a project to rehabilitate an outdated sugar plant.	Arkel International, Inc. - FY 1991
Mali	Segou Sugar Factory (FS), \$250,000	Feasibility Study grant to the Government of the Republic of Mali, through the Ministry of Commerce, Industry, and Artisanry, to construct a sugar factory in the Segou region.	F.C. Shaffer & Associates - FY 1999
Mozambique	Sugar Production (FS), \$264,250	Feasibility Study Grant for the development of the Incomati Sugar Processing and Production Facility.	F.C. Schaffer & Associates - FY 1994
Namibia	Integrated Sugar/Power Generation Project, (FS) \$350,000	Feasibility Study Grant to the Ministry of Agriculture, Water & Rural Development, which is co-funding an additional \$50,000 for the study of a site in the Caprivi Strip for the development of an integrated sugar plantation, mill, and power generation facility.	F.C. Schaffer & Associates - FY 1996
Nigeria	Harvesting Equipment Training Grant (TG), \$100,000	Training Grant (TG) to assist in the training of Nigeria Sugar Company personnel on U.S. manufactured harvesting equipment	CAMECO, Inter-American Transport Equipment Corp. - FY 1992
Nigeria	Sunti Sugar Feasibility Study (FS), \$175,000	Cost-sharing of a feasibility study for the development of a turn- key sugar processing facility and agricultural complex at Sunti,	Inter-American Equipment Corp., Arkel International, Inc. FY 1992

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		Nigeria.	
Nigeria	Ogun State Sugar Factory (FS), \$288,645	Feasibility Study Grant to Ogun State for a proposed sugar factory.	FY 2002
Nigeria	Sugar Factory and Estate (FS), \$310,000	Feasibility Study granted to the Dangote Group for assessing the development of two new cane sugar factories and estates in Jigawa and Bauchi States.	F.C. Schaffer & Associates – FY 2000
Rwanda	Sugar Refinery (FS), \$297,000	Grant to MINIMART for a feasibility study to develop a sugar estate.	Arkel International, Inc. - FY 1991
South Africa	Makhatini Flats Sugar Milling Facility (FS), \$150,000	Feasibility Study Grant provided through TDA's Trust Funds at the World Bank Group to fund a feasibility study on a sugar mill in the Makhatini Flats area in KwaZulu Natal.	World Bank Group - FY 1997
South Africa	Bagasse Hydrolysis Project (FS), \$204,000	Feasibility Study Grant to Illovo Sugar Limited to hire Arkenol Holdings, Inc. to perform a xylitol/bagasse hydrolysis analysis.	Arkenol Holdings Inc. - FY 1999
Uganda	Kakira Sugar Works Electricity Co-generation (FS), \$175,000	Feasibility study on the installation of bagasse- fired steam and electricity cogeneration at the Kakira Sugar Works in Jinja, Uganda.	John H. Payne, Inc. - FY 1997
Uganda	Etanol (FS), \$240,000	Grant to Ministry of Energy for a study to develop an ethanol production facility for motor fuel blending.	Arkel International, Inc. - FY 1991
Africa Regional	Sugar Industry Officials Orientation Visit and Training Course (OV)	Orientation visit and training course for 12 Senior African Sugar Industry officials from eight African countries.	Louisiana State University, Hawaiian Planters' Association -FY 1992

*Source: U.S. Trade and Development Agency web site at [www.tda.gov/region/africame.html](http://www.tda.gov/region/africame.html)*