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# Africa Sugar *Digest*

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## ***Kenya: Attracting private investors to sugar mills***

Kenya has published the Sugar Amendment Bill 2011 to allow strategic investors to acquire at least a 51 percent stake in the five state-owned sugar mills scheduled for divestment, said a top official in the ministry of agriculture on 10 June. The official said that investors from Brazil, Mauritius and Turkey have shown interest in bidding for the factories. The five companies are SONY, Chemelil, Nzoia, Muhoroni and Miwani. Earlier in the year, the Kenya Sugar Board said production costs in the state-owned mills are estimated at USD 750 per tonne because of high debt-service, high input costs and poor infrastructure.

Last year the ministry proposed to offer a 30 percent stake to farmers, and to float 19 percent on the stock exchange, once the companies were profitable. The privatisation process has been delayed by a heavy political calendar, which includes the implementation of the country's new constitution and next year's general election, according to local newspapers. (Other state-owned companies, including 13 major hotels and two commercial banks, are also listed for privatisation this year.)

According to the ministry, Kenya produced a record 548,207 tonnes of sugar in 2009, but then production fell by 4.5 percent to 523,522 tonnes due to cane shortages in 2010. Industry sources expect a 6 percent production increase in 2011. In 2010, consumption was 772,731 tonnes, and the demand is estimated to grow to 794,844 tonnes by 2012.

## ***Zambia: Record results in Illovo's Zambia Sugar***

To year-end March 2011, Zambia Sugar Company Plc, a member of the Illovo Sugar Group, achieved records in cane production, sugar manufacturing and sales, said the *Times of Zambia* on 21 May. Operating profits were USD39 million, the paper added.

Production was 385,000 tonnes of sugar, up from 315,000 in 2009. Domestic sales, which represents 41 percent of production, grew by 10 percent. Zambia Sugar exported 108,000 tonnes to the European Union, where the country enjoys a duty-free, quota-free access. Total exports, including a record 125,000 tonnes to regional markets, were 233,000 tonnes, compared to 175,000 tonnes in the previous year.

Zambia Sugar recently modernised and expanded its factory in Mazabuka, which processed a record 1.95 million tonnes of cane, compared to 1.7 million in the previous year. The expansion program also includes an additional 10,500 hectares under cane. Total cane deliveries to the factory was 3.1 million tonnes, including 1.1 million delivered by outgrowers, representing half million tonnes more than in the previous year. The mill has a production capacity of up to 450,000 tonnes per year.

The company says is also interested in the production of ethanol, as it is reported that the mill produces enough molasses to meet the government's target of 10 percent blend in national fuel consumption.

Zambia Sugar accounts for 94 percent of the country's sugar production, and Illovo Sugar holds a 82 percent stake in it. The company is one of Zambia's largest employers, with about 2,000 permanent employees and some 4,000 seasonal workers.

### ***Burundi: SOSUMO seeks investors to finance expansion***

The Societe Sucriere do Moso (SOSUMO) is seeking 44 million Euros (USD 63 million) to finance an expansion program, said Internet sources. The company plans to double the area under cane to 6,000 hectares with improvements in irrigation and drainage infrastructure, and raise annual sugar production to 40,000 tonnes.

At present, the government has 99 percent stake in SOSUMO, while Ecobank Transnational Inc. and Brarudi SA, a Burundian brewer, each owns 0.5 percent. The World Bank is financing a study on how private investors can acquire equity in the company. SOSUMO is Burundi's sole sugar producer.

In March 2010, the workers' union said there had been management irregularities in the state-owned company, which resulted in production decreasing from 20,000 tonnes to 14,000 tonnes. At that time, it was also reported that the minister of trade said she no longer had control over the management of the industry. At peak production the company employs some 2,800 workers, while there are 512 permanent employees.

### ***Zimbabwe: Tongaat anticipates increase in sugar production***

Tongaat Hulett expects production to reach between 360,000 and 380,000 tonnes of sugar in the 2011/12 season due to improvements in cane age and yields, while maintaining the same area harvested. The company said a recovery program is underway, focused on increasing cane yields and on re-establishing private farmers' cane lands linked to its Hippo Valley and Triangle mills. The program would eventually restore production to the installed capacity of 600,000 tonnes per year. Sales to internal market for the year ending March 2011 came to 184,000 tonnes (151,000 tonnes in the previous year).

In related news, Tongaat's production in Mozambique is expected to increase by more than 50 percent in the 2011-12 season to between 250,000 and 270,000 tonnes of sugar, with an increase in areas harvested, higher cane yields and improved sugar extraction.

### ***Mauritius: Importing raw sugar?***

The Mauritius Sugar Syndicate said the India Ocean island is considering importing 35,000 tonnes of raw sugar per year to be refined for local consumption, replacing imports. The proposal will take full advantage of the refining capacity of local companies, such as Flacq United Estates Ltd. and Omnicane Ltd.

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