

Guide to External Enquiries Responding to Frequently Asked Questions



**ESWATINI
SUGAR
ASSOCIATION**

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WHAT IS THE DIFFERENCE BETWEEN ESA AND OTHER SUGAR COMPANIES?

THE Eswatini Sugar Association (ESA) is a body created by – and made up of – independent sugarcane growers and millers in Eswatini, with the primary responsibility of regulating the industry and marketing all its sugar and by-products (currently molasses).

The sugarcane growers and sugarcane millers are owned independently and perform their respective

functions of growing sugarcane and producing sugar. Once the sugar is produced, it is immediately transferred to the ESA for storage and marketing purposes.

ESA is a non-profit making entity. All proceeds from the sale of sugar and its by-products are distributed back to the members based on a sharing formula agreed between them. ESA only retains funds necessary to cover its costs of regulation and marketing.

SUGAR PRODUCTION AND AVAILABILITY

01

What Types of Sugar are Produced?

The industry currently produces four types of sugar:

Raw Sugar: This is sugar that is produced in bulk form (not bagged) and is dumped on the floor for further processing in foreign markets

to produce refined sugar mainly. Because it fetches low value for the industry, the sugar is produced on residual basis i.e. when it is either not possible to produce the high-quality direct consumption sugar or there is not enough bagging capacity. This sugar is normally sold to Europe or the US.

Brown Sugar: This is very high polarization (VHP) brown sugar that is produced for direct consumption and is usually supplied by ESA in bags (1.075 t, 1 ton or 50kg bags or 25kg). This is sold to SACU (including the local market), regional and EU markets mainly.

Refined Sugar: This is white sugar produced by the two refineries (Mhlume and Ubombo) and is supplied to customers in bulk bags of 1 ton or 50kg bags. It is mainly available for sale to the SACU market (given the limited volume currently produced).



Specialty Sugar: The industry produces limited volumes of Demerara and Nu cane (Low GI brown sugar). These sugars are targeted for sale to the EU and/or SACU markets respectively



MARKETING STRUCTURE AND ENQUIRIES ON BUYING SUGAR

Enquiries About Buying Sugar?

All sugar produced by the mills is marketed centrally by the ESA, per the agreement between sugarcane

growers and millers. There is therefore no need to approach the mills for sugar. The ESA Commercial Department, headed by the Commercial Director, is responsible for the marketing of sugar within the industry.

How Much Sugar is Available?



The industry produces about **700 000** tons of sugar per year.

About **70%**
of the sugar is
committed on long
term contracts.



ENQUIRIES FROM CUSTOMERS

Who Can Apply for a Sugar Allocation?

All companies are eligible to apply for a sugar allocation. ESA then uses some selection criteria on to determine whether an entity qualifies for an allocation depending on the target market, applicant profile, intended use for the sugar (or profile of end user) and other considerations.

What are the Prospects?

There are varying prospects for an allocation as there are various issues considered. The following are some examples:

Buying Sugar for Local Use: There is already a saturation of customers in the pre-packing segment and ESA is currently not allocating sugar for purposes of pre-packing. Applicants who want to use sugar for higher value-added

processes are however strongly considered. These are usually those who want to produce finished sugar-containing products.

Buying Sugar to Supply an Entity in SACU (outside Eswatini): The ESA encourages value addition of sugar within Eswatini. However, the Eswatini market is limited in size and there is therefore opportunity to supply other countries in SACU. In such instances, ESA does not deal with middlemen or traders or brokers but deals directly with the entity that requires the sugar for own use (again it prioritises those requiring the sugar for manufacturing - rather than pre-packing - purposes).

Buying Sugar for Export to Countries in Rest of Africa: The ESA allows local entities to apply for sugar to be sold to the rest of Africa, even as traders. The entity must however demonstrate capability and experience in such cross-border trade (even if it is outside the sugar sector).



Sugar for Sale to Destinations Outside Africa: These enquiries are dealt with and supplied directly by ESA, not through local traders. International commodity trading firms or direct sugar users are usually approached, through a Call for Proposals, to market the sugar on behalf of ESA to these further away destinations, given their local knowledge and international logistics expertise.

What is the Process for a Sugar Allocation Application?

Potential customers are required to apply for a sugar allocation from ESA. This is done by writing a proposal on volumes, the intended use for the sugar and the markets that they want to supply. The proposal must be accompanied by a company profile of the entity that is applying for the allocation.

Depending on the application and the contents thereof, an acknowledgement is provided and clarifications may be sought. Should the application warrant further consideration, a response is usually issued within a month after the application is received. This is informed by factors such as availability of sugar, the nature of the entity applying, intended use for the sugar, convening of necessary committee to consider application, to name a few.

ESA does not have an application form but the application/proposal (in the form of a letter or email) must contain the following, as a minimum:

Description of entity applying.

Brief profile of entity, including experience in sugar/commodity trading if any.

- Operating premises.
- Intended use of the sugar.
- Product required (sugar type).
- Required quantity (per month and per year).
- Market where the sugar is intended

How Are Sugar Uses Classified?

- Pre-packing: defined as the packaging of sugar in smaller packs of less than 25kg.
- Industrial: defined as the use of sugar for the production of intermediate (not final) products.
- Manufacturing: defined as the use of sugar for the production of a final consumable product.

What if I Want to Buy Sugar for Local Pre-Packing?

It is not likely for the allocation to be considered favourably, given the saturation of the market and low-value addition nature of the operation.

What if I Want to Buy Sugar for Industrial Purposes?

Given that this is a higher value add process than pre-packing, such applications would normally receive more favourable consideration than pre-packing. The only challenge is that this operation is usually tied with pre-packing and thus not usually viable on its own. Thus such applications are not being entertained at this stage. Again, applicants are encouraged to submit applications detailing their requirements, including the niche market they wish to serve and how their venture can be viable without attaching a pre-packing element to it.

What if I Want to Buy Sugar for Manufacturing Purposes?

This is most encouraged, and ESA reserves a volume annually for enterprises who want to venture into production of manufactured sugar-containing finished products. Applicants must submit an application containing details on intended use for the sugar and demonstrate the availability of a market for the final product.

Can I Procure Equipment Before Applying for an Allocation?

Applicants are not encouraged to procure equipment before ESA has committed to allocate them sugar. ESA is willing to provide a Letter of Intent (having considered all the factors outlined above) to those entities who wish to establish operations within the Kingdom for favoured production; an allocation is confirmed after the entity has set up its operations. Procuring equipment prior to obtaining a Letter of Intent is therefore risky and ESA takes no liability for such.

PRICING INFORMATION

Prices are commercially sensitive within the business and can only be disclosed once there is a secured allocation.

Does ESA Deliver the Sugar to Customers?

ESA sells its sugar normally on an ex-works basis to all its Eswatini-based customers. ESA ordinarily does not deliver sugar and customers have to make their own transport and delivery arrangements. Where necessary, for destinations outside Eswatini, ESA may assist customers with referral

to reputable transporters who they can contract to handle the logistics for the movement of the sugar.

Does ESA Pay Individuals for Customer Referrals?

ESA does not pay any remuneration (commission, facilitation fee, referral fee, etc) to any individual or entity that may choose to introduce a customer to ESA. The patriotism of all emaSwati in supporting the buying of Eswatini sugar is nonetheless welcome.





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information correct as at April 2023

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