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Sustainable Competitive Advantage in Sugarcane Value Chain in Zimbabwe: The Case of Tongaat-Hulett Private Limited

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Abstract: *Zimbabwe has a mature sugar industry dating back to the 1930s. The country has earned a reputation as the lowest cost and high-quality sugar producer in Southern Africa. Tongaat Hullet, a South African subsidiary is a leading player in Zimbabwe's sugarcane value chain having acquired its main rival Hippo Valley Estates in 2006. The aim of this study was to examine the organizational structure, emerging challenges and performance of the sugarcane value chain with a focus on Tongaat Hullet. Data was obtained from multiple interviews with key informants in the sugar industry in September 2019. Zimbabwe's sugarcane value chain is undergoing major structural transformations and economic hurdles. The main driving forces affecting the industry are agricultural land reforms, economic empowerment, tensions arising from competing interests of labour unions, demands by different sugarcane growers' associations and global market dynamics. With the entry of thousands of new small-scale sugarcane growers, Green Fuel Private Limited, a biofuel firm, accounting scandals and demands for regional wage equity by the workers, there is rising pressure to address the diverse threats and internal tensions. A sustainable business strategy to enhance industry competitiveness and long-term value of Tongaat Hullet while balancing the needs of its shareholders, workers and the emerging smallholder sugarcane growers is required*.

I.Introduction

Zimbabwe has a long history in sugar production dating back to 1931. Prior to Independence in 1980, sugarcane production in Zimbabwe was dominated by large-scale commercial estates in the South-eastern part of the country in Chiredzi District, Masvingo Province. However, the production base for sugarcane changed drastically following the implementation of land reforms in 2000 by the Government of Zimbabwe (GOZ). To date, Zimbabwe's sugarcane production is carried out on Sugarcane Estates and by individual smallholder farmers who have been allocated 25-hectare plots after the land redistribution. Since then, Zimbabwe's sugarcane value chain has undergone major structural, institutional and performance related changes which warrant serious attention from policy makers, industry leaders and society. This paper examines key developments in the sugarcane value chain with a focus on the parent company, Tongaat Hulett Private Limited, Zimbabwe a subsidiary of Tongaat-Hullett Corporation headquartered in South Africa.

Although Zimbabwe has a long experience in sugarcane production and processing, and the sugar industry is considered as relatively mature, it is still beset with several strategic threats and challenges that are affecting its long-term future survival. For instance, the GOZ would like to see sustained production in sugarcane by the newly settled farmers. Similarly, the new farmers and their growers' associations are seized with issues related to land tenure rights, improving sugarcane yields, access to adequate water supplies for irrigation, availability of labourers for seasonal cane cutting, efficient transportation of sugarcane to sugar mills, and remunerative producer prices for their sugarcane. Meanwhile management at Tongaat Hulett in Triangle Zimbabwe is keen to promote sustainable value creation for shareholders, governance, ethical culture, effective control and trust, reputation and legitimacy and to sustain industry viability through the production of relevant sugarcane varieties, refurbishment of the sugar processing plants in order to produce high quality sugar and its by-products and developing and nurturing sound relationships with key stakeholders such as government, growers' associations, labour unions, research station leadership, key players in sugar refinery and packaging, employees and senior managers at Tongaat Hulett headquarters in South Africa. Tongaat-Hulett Private Limited is a strategic company because it produces sugar, a key product consumed by the nation and it is also the largest private employer in Zimbabwe. Over the years, Zimbabwe has gained the reputation of producing high quality

sugar for both the domestic and regional markets. Additionally, the sugar industry is strategic for the survival of the beverage and confectionary industries in Zimbabwe.

The rest of the paper proceeds as follows; the next section describes the background information on sugarcane production in Zimbabwe and an overview of the history of Tongaat Hulett in the sugar industry. After that, the proceeding section describes the sugarcane value chain in Zimbabwe. This is followed by a presentation on the degree of industry competition, market coordination mechanisms and value chain performance. The paper will then highlight key challenges and future prospects. The final section concludes this paper.

1.1 Overview of Sugarcane Production in Zimbabwe

Zimbabwe is recognised as the lowest cost and high-quality sugar producer in Southern Africa. Sugarcane in Zimbabwe is grown under canal irrigation in the Lowveld area (elevation under 2,000 feet above sea level) of Triangle and Hippo Valley, in the Chiredzi District, Masvingo Province. Production is by large, privately-owned sugar estates and private farmers in the Triangle, Hippo Valley, Mkwasine and Mwenezi areas. Sugar is an important raw material for the beverages and confectionery sectors; while by-products such as bioethanol also contribute towards the fuel sector. Sugar is largely consumed directly, with a very small percentage consumed through value-added products.

Triangle and Hippo Valley Estates are the two large privately- owned estates comprising of 28 494 hectares under sugarcane production and produce about 80% of Zimbabwe's sugar crop. Tongaat Hulett a large South African agricultural and agro-processing group which also has operations in South Africa, Mozambique and Swaziland, wholly owns Triangle and has a 50.35% stake in Hippo Valley Estates. Private growers and newly resettled farmers occupy about 15,880 hectares and produce about 20% of the sugarcane crop.

1.1.1 Historical background of Tongaat Hulett

The history of Tongaat Hulett stretches back to the late 1880s. Tongaat Hulett Group Limited was a result of a merger between Tongaat Group Limited and Hulett Corporation. The Tongaat Group Limited evolved from a partnership between Edward Saunders and W. J Mirrlees in 1875. In 1892, the partnership was incorporated into the Tongaat Sugar Company Limited. In the years 1969 to 1970, the company, which had diversified into other businesses, was renamed the Tongaat Group Limited.

On the other hand, The Huletts Corporation Limited had its beginnings in the 1850s, with the original incorporation in 1892 as Sir J. L Hulett and Sons. In late 1962, just after a successful takeover of Natal Estates in 1957, Sir J L Hulett & Sons, was taken over by a consortium of the C G Smith Group and the Tongaat Sugar Company. The company name was retained but the Hulett family largely disappeared from the business, leaving the company in the hands of Chris Saunders, who was one of the major players in the successful acquisition of Huletts. Chris Saunders became Chairman of both Huletts and Tongaat. Sir J. L Hulett and Sons later changed its name to Huletts Sugar Corporation Limited and then to Huletts Corporation Limited. With the influence of The Tongaat Group (Hullet's major shareholder), Huletts acquired a majority shareholding in the South African interests of the huge Alcan Aluminium of Canada company in 1973.

In 1982, Tongaat Hullet Group was newly formed, after the merger of Tongaat Group Limited and Hulett Corporation Limited. The company became a diversified industrial business with interests in aluminium, building materials, consumer foods, cotton, edible oils, industrial and commercial catering, mushrooms, sugar and agricultural land development, starch and glucose, textiles and transport. Since the early 1990s the Group has systematically divested from a number of these businesses and refocused its operations, leveraging the synergies that exist between its agri-processing operations and prime agricultural land holdings.

In 2006, Tongaat Hulett Group's operations proposed listing of Hulamin on the Johannesburg Stock Exchange (JSE) and the Hulamin unbundling to create two separately listed, focused companies. In 2007, Hulamin was successfully listed, and unbundled into Tongaat Hulett (an agri-processing business, which includes integrated components of land management, property development and agriculture) and Hulamin (an independent niche producer of aluminium rolled, extruded and other semi-fabricated and finished products).

On the successful unbundling of Halamin into Tongaat Hulett Group and Hulamin, Tongaat Hulett Group's name changed and is now known as Tongaat Hulett Limited. Although sugar is Tongaat Hulett's core business, it has

diversified into starch business and real estate with a major property portfolio located in KwaZulu-Natal province in South Africa.

Until recently, when Tongaat Hulett Limited was temporarily suspended on both the JSE and the London Stock Exchange (LSE), Tongaat Hulett Limited had a primary listing on the JSE, and a secondary listing on the LSE. The company currently employs over 35,000 people, working in about 25 locations in six countries, namely South Africa, Botswana, Namibia, Swaziland, Mozambique and Zimbabwe.

1.2 **Tongaat Hulett Zimbabwe**

Tongaat Hullet operations are agricultural and agro- processing business which include agricultural land management and rural development. The sugar operations consist of 100% shareholding in Triangle Sugar Estate and being the majority (50.5%) shareholder of Hippo Valley Estates. Triangle Limited is situated in the south-east lowveld of Zimbabwe, 445 km south east of the capital city of Harare. Hippo Valley Estates is located in Chiredzi in south-eastern Zimbabwe, bordering the Triangle estate.

Hippo Valley Estate was established in 1956 as a citrus estate and soon it diversified with the first cane planted three years later in 1959. Canned Hippo Valley fruit was exported across Southern Africa until the 1970s. In the wake of the sugar market crush in 1975, the Estate initiated irrigation programs to water its sugarcane plantations. In 2006 Anglo American sold its 50.4 percent stake in Hippo Valley Estates to Triangle Sugar, the Zimbabwean unit of Tongaat-Hulett.

Triangle Limited is an agri-based sugar company and is wholly owned by The Tongaat Hulett Group. Murray MacDougall, assisted by Tom Dunuza founded the company in 1919 to ranch cattle but a severe downturn in the economy during the post-World War 1 recession led Triangle into crop production in the late 1920s. The main crop cultivated was wheat but Triangle started growing sugarcane in 1934 with only 18 hectares under irrigation. The first sugar-processing mill in Zimbabwe was opened at Triangle on 11 September 1939. Numerous problems followed, which saw the Government taking over the company in 1944. In 1954 a South African company, the Natal Syndicate purchased Triangle, only to be taken over in 1957 by Guy Hulett who was running a business consortium in Natal under the Sir J L Hulett & Sons name. In late 1962, just after a successful takeover of Natal Estates in 1957, Sir J L Hulett & Sons, was taken over by a consortium of the C G Smith Group and the Tongaat Sugar Company. This marked the beginning of the Tongaat Hulett association with Triangle.

1.2.1 Business Units

Tongaat Hulett Zimbabwe operations are mainly comprised of Sugarcane Farming; Sugarcane Milling; Ethanol and Alcohol Production; and Game and Livestock Farming. The leading business unit is sugarcane milling, followed by sugarcane farming, and ethanol and alcohol production. The company diversified into game and livestock farming and they supply beef to local butcheries. Being a major player in the sugarcane value chain, more detailed information on the operations of Tongaat Hulett Zimbabwe including sugarcane cultivation is given under the following section on sugarcane value chain system.

II.Zimbabwe Sugarcane Value Chain

The sugarcane value chain in Zimbabwe comprises input suppliers, estates, out-growers, sugarcane millers, refiners, marketers of sugar and final consumers. To coordinate the activities and operations of the value chain participants, the Zimbabwe Sugar Association (ZSA) has been established as the apex decision making authority in the sugar industry. ZSA is therefore a consortium of participants in the sugarcane value chain. It consists of sugarcane growers (Estates and out-growers), Sugarcane millers, Refineries of sugar, and Marketers of sugar. The role of ZSA is to address and coordinate common issues for sugarcane value chain participants. Some of the common issues include sugarcane pricing and government lobbying. ZSA privately owns a research station which was named after the consortium (Zimbabwe Sugar Association Experiment Station). The Experiment Station was established to serve the interests of the ZSA members, and is therefore part of the sugarcane value chain. Whilst Green Fuels is part of the sugarcane value chain as it produces ethanol from sugar cane, just like Triangle Sugar Estate, Green Fuels Private Limited is however not part of the Zimbabwe Sugar Association, and is usually excluded in matters associated with the sugar industry. The sugar industry value chain map is as depicted in Figure 1.

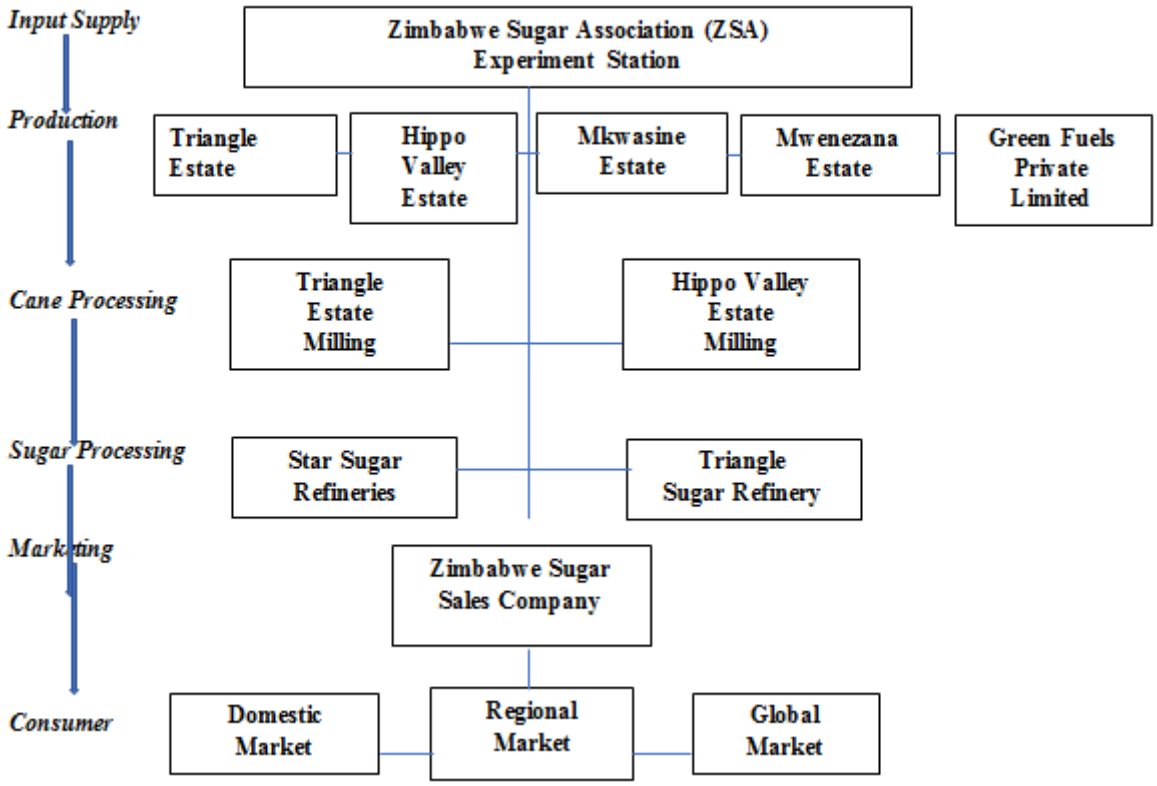

Figure 1: Zimbabwe Sugar Value Chain, 2019.

2.1 Sourcing of Inputs and Supplies

Suppliers of inputs in the sugarcane value chain mainly provide cane, fertilizers, chemicals, machinery and equipment. Inputs are sourced locally and are financed through personal funds or under contract. Most individual farmers joined contract farming with Triangle and Hippo Valley Estates in order to obtain assistance on financing and inputs. In sugarcane farming, the ability to secure adequate water supply is critical for sustainability. In this regard, the 1,803 million megalitre capacity Tugwi-Mukosi dam (previously known as Tokwe-Mukosi) and the 1,740 million megalitres of the Mutirikwi/Tugwi system significantly improved the water supply capacity. The Lowveld region has a total dam capacity of some 4,226 million megalitres which provides adequate water for sugarcane cultivation in Zimbabwe. Transportation is a moderate impediment due to poor road network that hampers timely transportation of bulk quantities of inputs.

2.2 Sugarcane Cultivation

Sugarcane cultivation is mainly carried out on two Tongaat Hulett owned Estates (Triangle and Hippo Valley Estates) and farms owned by individual private growers, who are usually referred to as out-growers. About 80% of Zimbabwe`s sugarcane crop is produced by these two estates, under the 28 494 hectares of developed and irrigated cane land, with a potential to produce in excess of 3 million tons of sugarcane per year. Private farmers, including large scale farmers and newly resettled farmers (who were allocated on average twenty-five hectares) per farmer after the Land Reform Programme), produce 20% of the country's sugarcane crop, under the 15 880 hectares of developed and irrigated cane land, with a potential to produce a further 1.4 million tons of cane per year. (See Table 1 for yearly yields for the past five years). Some of these farmers have contractual agreements with the major estates to produce sugarcane to feed the mills. Private growers refer to all the individual sugarcane farmers, who are not part of the Triangle and Hippo Valley Estates. Due to their diverse interests and regular disagreements, there are at least five associations representing these private growers. Table 2 below shows the farmers associations in sugar cultivation.

Table 1: Zimbabwe Sugarcane Production and Yields, 2014/15 -2019/2020

Marketing Year	Area Planted(ha)	Area harvested (Ha)	Cane Crushed (MT)	Yield (MT/Ha
2014/15	44,749	43,121	3,856,000	89.4
2015/16	44,952	43,094	3,348,000	77.7
2016/17	45,339	43,500	3,483,000	80.1
2017/18	45,245	41,000	3,101,000	75.6
2018/19	47,000	45,000	3,600,000	79.1
2019/2020*	49,000	46,000	3,700,000	

*Estimate

Source: Sugar Annual Reports 2018; 2019; Tongaat Hulett and Post Forecasts

Table 2: Farmers Associations in sugar cultivation

Commercial Sugarcane Farmers Association
Zimbabwe Cane Farmers Association
Zimbabwe Sugar Cane Development Association
Hippo Valley Productive Sugar Cane Association
Mkwasine Sugar Cane Farmers Association

Source: Primary data

Whilst the Green Fuels Private Limited occupy about 9000 hectares of sugarcane growing for ethanol, the company also feeds into the sugarcane mills as part of the private growers, especially with raw sugarcane that would have over-matured for ethanol production. The majority of the black private growers occupy the Mkwasine Estate, with farm sizes averaging about 25 hectares each. This land was formerly estate and white owned out-grower land, before land redistribution. Most of these black out-growers joined the sugarcane value chain through the land reform programme which was initiated in Zimbabwe around 2000. Thus, The Mkwasine Estate, which was initially co- owned by Triangle and Hippo Valley Estates was taken over by the government and given to black private farmers during the land distribution time. In a bid to expand the sugarcane production, Tongaat Hullet Zimbabwe has been preparing the Mwenezana Estate in Mwenezi.

2.3 Sugarcane Milling in Zimbabwe

Hippo Valley and Triangle Sugar Estates Mills are the only sugar mills in Zimbabwe. Hippo Valley only produces raw sugar. Triangle Sugar Estate produces raw sugar and about 20 percent of the refined sugar in Zimbabwe. Tongaat-Hulett owns 100 percent of the Triangle Sugar Estate and about 50.5 percent of the Hippo Valley Estate Private Limited. The remaining 49.5 percent of the Hippo Valley Estate Private Limited shares are publicly owned through the Zimbabwe Stock Exchange. The two mills have a combined sugar production capacity of about 640,000 MT and installed milling capacity of 4.8 million MT of sugarcane per annum. The millers get sugarcane directly from their plantations and smaller volumes from private farmers. Sugarcane is processed into cane sugar and its by-products, such as ethanol, used in various sectors such as confectionery and beverages.

With electricity being an important co-product of sugar production, the Hippo Valley and Triangle Sugar Mills generate sufficient electricity by burning bagasse to power their mills during peak production periods. They can also supply surplus electricity to the national grid. An electricity swap agreement was made with the Zimbabwe Power Company for the sugar mills to supply electricity to the national grid during the mills peak production periods and to draw down some electricity from the national grid during off-peak periods. As a result, the net usage of electricity by the sugar mills is believed to be minimal. With capital investment, much more electricity can be produced from the same fibre energy through high pressure boilers and improved sugar mill efficiency. Opportunities are being explored for increased generation capacity. Both Hippo Valley and Triangle Mills supply raw sugar to Star Africa, an independent refinery located in Harare.

2.3.1 Ethanol and Alcohol Production

Apart from sugarcane production, the Triangle plant produces ethanol and alcohol. The plant has an installed capacity of 40 million litres over a 48-week production season. Tongaat Hulett's molasses is used for ethanol production. Tongaat Hulett Zimbabwe has been producing fuel-grade ethanol for blending in the local market for many years, as well as producing smaller volumes of industrial alcohol. During the 2017/18 season, the distillery produced 21, 7 million litres in total, **with 27, 5 million litres planned for 2018/19.** In 2017, the

statutory blending ratio was increased from 15 percent to 20 percent, with a further increase to 25 percent likely. Plans are being developed to debottleneck the Triangle distillery to increase production capacity from 40 to 70 million litres, in line with the growth in the market.

2.4 Sugarcane Refining

Zimbabwe only has two sugar refineries; the Triangle Sugar Refinery, and Star Africa Sugar Refinery Limited, an independent sugar refinery based in Harare. Star Africa produces about 80 percent of the total refined sugar including bottler grade white sugar (Premium-refined sugar that has been graded). The remaining 20 percent is produced by Triangle Sugar refinery.

2.5 Sugarcane Sales

The Zimbabwe Sugar Sales Company (ZSSC) was founded by growers to sell sugar on their behalf. The ZSSC sells raw sugar to Star Africa, an independent refinery, and also to Triangle Sugar Mill for further processing. In addition, ZSSC exports raw sugar to international markets on behalf of the growers. The Huletts Sunsweet® brand is the leading sugar brand in the country.

2.6 Zimbabwe Sugar Association Experiment Station (ZSAES)

In a bid to improve sugarcane production, the key major players in sugarcane value chain formed a sugarcane research station. The research station's mandate is to serve the interests of the Zimbabwe Sugar Industry through research, evaluation, transfer of technology and provision of specialised services. The technologies and services provided are shown in **Table 3** below. The research station employs qualified and competent research scientists; Graduate research assistants; Research support staff (Technicians, Laboratory assistants and field assistants), who are there to make sure that the mandate of the research station is achieved. The Zimbabwe Sugar Association Experiment Station (ZSAES) conducts research for the industry and is funded from the sales of sugar based on a zero-budget basis.

Table 3: Technologies and services provided by (ZSAES)

Technologies Provided	Services Provided
New and improved sugarcane varieties	Seed cane inspection and certification
System of sugarcane production	Pest and disease surveys
Recommendations on herbicides and ripeners	Soil and leaf sampling strategies
Diseases and pest control strategies	Soil analysis and foliar analysis
Fertilizer recommendations	Direct analysis of cane quality
Machinery recommendations	Analysis of irrigation water quality
Water and irrigation management	Testing of irrigation systems performance
	Extension services and transfer of technology
	Training of sugarcane growers and technologists

Source: ZSAES (2005)

2.6.1 Sugarcane varieties

Zimbabwe currently has fourteen varieties of sugarcane approved for growing by farmers. While the industry seeks to limit each variety to a maximum of 40 percent in order to minimize and diversify risks, the N14 variety currently accounts for about 60 percent of the sugarcane production. One of the new varieties ZN10 has been gaining popularity with farmers because of its high sucrose content. Although the industry had agreed to limit the production of ZN10 to 10 percent due to its fine particles that could potentially flood the mill diffusers, this variety is suspected to now account for at least 20 percent of the total sugarcane production. One of the challenges faced by the Zimbabwe Sugar Association Experiment Station (ZSAES) is that it has no ownership of the varieties listed in Zimbabwe. The industry is in the process of resolving the ownership of the sugarcane varieties by listing the approved varieties under the Seed Act in a federal register. About 450 to 500 hectares is dedicated to the production of seed cane, and the industry replants about 12 percent of the total area under sugarcane annually. **Table 4** below shows the different sugarcane varieties in Zimbabwe.

Table 4: Sugarcane varieties in Zimbabwe

Variety	Originality/ Source	Year released	Best harvesting time
N14	South Africa- Natal	1985	All year harvest
NCo 376	Indonesia	1960	Mid- late season
CP 72 -1312	United States of America	1995	All year harvest
ZN1	Zimbabwe- Natal	1995	Late season
ZN2	Zimbabwe- Natal	1995	Early season
CP 72-2086	United States of America	1999	Early season
ZN3	Zimbabwe- Natal	1999	Late season
ZN4	Zimbabwe- Natal	1999	All year harvest
ZN5	Zimbabwe- Natal	1999	All year harvest
ZN6	Zimbabwe- Natal	1999	All year harvest
ZN7	Zimbabwe- Natal	2001	All year harvest
ZN8	Zimbabwe- Natal	2001	All year harvest
ZN9	Zimbabwe- Natal	2002	All year harvest
ZN10	Zimbabwe- Natal	2004	All year, best late harvest

Source: ZSAES (2005)

2.6.2 Sugarcane Diseases and Pests

The main diseases of concern in the Zimbabwe sugar industry include Smut, Ratoon Stunt Disease (RSD), Leaf Scald, Brown Rust, Orange Rust (no official reported case), and Sugar Cane Yellow Leaf. The main pests of concern include Eldana, Sugar Cane Yellow Aphid; and Black Maize Beetle. Viral diseases in crops are not closely monitored and controlled. The ZSAES routinely scouts for pests and diseases in all sugar cane farms, including those subsistence farms that produce chewing sugarcane as part of the industry biosecurity and risk mitigating measures.

2.7 Nature of Competition in Sugar Industry

Tongaat Hulett Zimbabwe has a monopoly in the country's sugar processing industry. The company has interests in the entire value chain from cane production, processing and marketing. As outlined earlier on, the company produces around 80% of the raw sugarcane, is the only miller and also produces about 20% of refined sugar. The company also supports the out-growers (who feeds the mill with about 20% raw sugar) through inputs. By contribution, Tongaat Hulett also has more influential power over the research station. Such monopoly power is reinforced by the Sugar Production and Control Act of 1964, which regulates how actors in the sugarcane value chain operate.

Whilst the Tongaat Hulett company still enjoys monopoly power in the industry, the land reform programme introduced around 2000; and is still in the political mantra of the ruling ZANU PF government, might erode this advantage. Thus, from around 2015, calls by politicians and out-growers to end Tongaat Hulett's monopoly have been rising. Government has been urged to work towards breaking Tongaat Hulett Zimbabwe's monopoly in the country's sugar industry to engender more benefits to thousands of indigenous cane out-growers who benefited under the land reform programme. Arguments were that, with Tongaat's footprints appearing on every stage of the sugarcane value chain, it was difficult for indigenous out-grower farmers to fully benefit from their crop.

Efforts to repeal the current laws governing the sugar industry so as to reflect the new realities in sugarcane production that were engendered by the Land Reform Programme were in motion. In 2019, Minister of State for Masvingo Provincial Affairs, Ezra Chadzamira challenged all four Zanu PF Chiredzi legislators to push for the amendment of the Sugar Control Production Control Act of 1964 which many farmers believe was giving too much power to sugar processors and millers. The Sugar Control Act, which governs the sugar production in Zimbabwe, was said to be benefitting the Zimbabwe Sugar Refinery Corporation Ltd, Hippo Valley Estates Ltd, Zimbabwe Sugar Sales (Pvt) Ltd and Triangle Ltd. These companies were said to be benefitting directly or indirectly at all levels of production, from cane growing and milling to sugar refinement and distribution. The Sugar Control Act also determines how farmers are paid by the Miller in the form of Division of Proceeds (DoP). Thus, moving away from the current law which is deemed outdated, the GOZ has been called upon by politicians and out-growers to allow more players in the sugar industry. The call was made based upon perceived

opportunities created by the advent of newly installed Tugwi-Mukosi Dam, which has the potential to irrigate vast strips of land in the Lowveld.

2.8 Vertical and Horizontal Integration Strategies

Tongaat Hulett Zimbabwe has its footprints appearing on every stage of the sugarcane value chain, from cane production, processing to marketing. This indicates full vertical integration upstream and downstream by this company. With the leading business unit being sugarcane milling, the company had also strengthened its raw sugarcane sources, such that the mill has adequate sugarcane. As alluded earlier on, 80% of the raw sugarcane which goes into the mill is produced by the company itself. With land re- distribution by the GOZ having seen the company losing the Mkwasine Estates to indigenous out-growers, the company has made efforts to support the out-growers with inputs and technical advice such that the quality and quantity of raw sugarcane is not negatively affected. Furthermore, the company has been preparing sugarcane plantations under Mwenezane Estates (in Mwenezi) so as to increase the supply of raw sugarcane into the milling process. Tongaat Hulett management also highlighted that the company is in the process of preparing the Kilimanjaro Estates to further allocate the land to out-growers for increased production of raw sugarcane.

III.Product Market Developments

3.1 Domestic Market

Most of the sugar is consumed locally. Post forecasts that sugar consumption in Zimbabwe will increase by 5 percent to 368,000 MT in the 2019/20MY, from 350,000 MT in the 2018/19 MY. This is due to an increase in production, population growth, and improved market access in the remote areas of the country. This increase was partially offset by the high levels of unemployment, and economic challenges faced by consumers.

The two main categories of consumers for sugar in Zimbabwe are manufacturers (beverages, confectioners, bakers and pharmaceuticals) and households. Domestic sugar consumption is usually categorized by 30 percent of white sugar and the remaining 70 percent of domestic consumption is brown sugar. Star Africa has significantly improved the quality and capacity of refined sugar that it produces including bottler grade sugar (Premium-refined sugar that has been graded).

The Zimbabwe per capita consumption of sugar, which is around 23-24,6 kg per year is still considered relatively low when compared to the regional average of about 30 kg per year. This is due to the limited disposable income and lower demand from the struggling manufacturing sector. The 2019 domestic retail price of white and brown sugar was about US$1.50 per kilogram, up from US$0.95 in 2018. The industry currently sees no impact in the use of alternative sweeteners by some beverage producers, as the quantities utilized are still low. It is difficult to ascertain the level of demand for sweeteners in Zimbabwe without a clear knowledge of the numbers of diabetic patients who use these ingredients or sugar substitutes.

3.2 Regional and International Export Markets

Zimbabwe also exports sugar to both the regional and international markets. The main export destinations for Zimbabwe's sugar are the United States of America (USA), Eastern Africa (Kenya), Botswana, South Africa and the European Union (EU). Zimbabwe is a beneficiary of the United States Tariff Rate Quota (TRQ) an annual raw sugar allocation of 12,636 MT, which allows it to export raw sugar duty free to the United States. The TRQ amount has remained constant over the past several years. Zimbabwe always utilizes its quota allocation and additional re-allocations each year and is expected to fully utilize the 2019/20 MY quota allocation. Exports to the EU have significantly decreased since 2017, due to unfavourable prices and low returns when compared to other export markets such as East Africa. The EU changed its domestic sugar policy in 2017 and removed restrictions for domestic sugar beet production. This change is expected to result in an increase in sugar supply and decreases in sugar prices in the EU. This is also expected to result in a decrease in EU imports from other countries over time.

3.2.1 Zimbabwe Export Markets in the 2017/18 MY

Post forecasts that Zimbabwe sugar exports will increase by 23 percent to 117, 000 MT in the 2019/20MY, from 95,000 MT in the 2018/19MY, based on the increase in sugar production and growing demand from Kenya. The 2018/19 MY sugar exports were revised downwards to 95,000 MT, based on the pace of exports up to February 2019 and poor sales performance in the European Union (EU) markets. **Table 5 and 6,** shows the statistics for Zimbabwe's raw sugar and refined sugar exports.

Table 5: Zimbabwe's raw sugar exports

Reporting Country		Unit	2014/15	2015/16	2016/17	2017/18	2018/19*
Reporting Total T		T	224,397	185,428	130,546	77,133	49,232
Kenya T		T	1,350	2,000	23,925	30,020	24,335
United States		T	23,981	15,116	14,715	17,443	12,034
Botswana		T	0	0	1,266	9,022	8,548
South Africa		T	0	0	1,329	0	4,315
Portugal		T	79,916 0	0	0	20,648 0	0
Croatia		T	0	21,635	0	0	0
Finland		T	0	0	6,976	0	0
France		T	0	46,746	0	0	0
Germany		T	0	24,902	6,985	0	0
Italy		T	24,926	0	27,414	0	0
Netherlands		T	25,000	0	0	0	0
Poland		T	0	49,963	17,999	0	0
Romania		T	20,354	25,066	29,937	0	0
Spain		T	48,870	0	0	0	0

**Export figures up to February 2019. Source: Global Trade Atlas (GTA)*

Table 6: Zimbabwe's refined sugar exports

Reporting Country	Unit	2014/15	2015/16	2016/17	2017/18	2018/19*
Reporting Total	**T**	3,688	21,998	5,376	1,325	3,210
Kenya	**T**	0	0	1,070	1,070	3,210
Botswana	**T**	3,687	21,932	4,306	0	0
South Africa	**T**	1	66	0	254	0

**Export figures up to February 2019. Source: (GTA)*

3.2.2 Imports

Zimbabwean sugar imports have been minimal for the past three seasons as shown in **Table 7 and Table 8**. This is due to the adequate raw sugar supply in the domestic market, and the only imports will be from South Africa, Botswana and Swaziland who enjoy duty free access into the Zimbabwe market. In addition, the drive by the industry to address the sugar refining quality issues and an increase in the local manufacture of bottler grade industrial white sugar has resulted in a drastic decline in imports of refined sugar. The main consumers of bottle grade white sugar include Mutare Bottling Company, Pepsi and Delta Beverages. The 10 percent tariff on all sugar imports introduced by the Zimbabwean government in 2014 to protect the domestic industry has also resulted in minimal sugar imports. Thus, government passed a 10 percent customs duty and $100/ton surtax on all sugar imports from countries other than the Southern African Development Community (SADC) and the Common Market for Eastern and Sothern Africa (COMESA) in a bid to protect the local industry from an influx of sugar imports.

Table 7: Raw Sugar Imports

Country	Unit	2015/2016	2016/2017	2017/2018	2018/2019
Reporting Total	**T**	**110**	**3**	**2**	**21**
Botswana	T	0	0	1	18
South Africa	T	110	3	1	3

**Import figures up to February 2019. Source: GTA*

Table 8: Refined Sugar Imports

Country	Unit	2015/2016	2016/2017	2017/2018	2018/2019
Reporting Total	**T**	**110**	**3**	**2**	**21**
Botswana	T	0	0	1	18
South Africa	T	110	3	1	3

**Import figures up to February 2019. Source: GTA*

IV.Revenue Trends and Financial Performance Indicators

In 2018, the Zimbabwe sugar operations generated operating profit of R563 million, compared to R504 million of 2017. Local market sales continued to grow, assisted by the refinery optimisation project that increased the availability of refined sugar for the industrial market. The ethanol operation performed well with improved margins. Low dam levels during peak growing periods limited irrigation, which affected cane yields, resulting in reduced sugar production of 392 000 tons compared to 454 000 tons in 2017. Higher standing cane valuations reflect the improvement in the sugarcane crop to be harvested, which benefitted from increased water availability, supported by the recently commissioned Tugwi-Mukosi dam. Accelerated sugarcane root replanting also helped a lot, as limited replanting had occurred during the drought. Year 2017 saw a major transition in the leadership of the government, creating more positive local and international sentiment.

However, the parent company, Tongaat Hulett's revenue declined by 2 percent to R17.1 billion in 12 months ending March 2019. The company had a total debt of R11.4 billion in 2019, and have been aggressively selling its assets as a strategy to manage its rising debt.

V.Key Challenges

The parent company faced major challenges in 2019. According to the Chairman of the Board, 2019 was a year of significant turbulence for the company (Annual Report, 2019). Specifically, some of the challenges included an overhaul of its top management, forensic investigation by Price Waterhouse and Coopers (PwC) for an accounting scandal, cash flow and profitability constraints. These challenges had some implications on the share price of the Hippo Valley shares, listed on the Zimbabwe Stock Exchange. The drop made Hippo Valley Estates the worst performing counter on the local bourse in the year 2019, with a year-to-date loss of 41, 52 percent. The share price of Hippo Valley Estates has been sinking on the Zimbabwe Stock Exchange since February 2019, after the escalation of the parent company, Tongaat Hulett's difficulties. However, the slump was not a reflection of Hippo Valley's financial performance which has been decent. The company posted a profit after tax of $7 million for the six months ended September 30, 2018 which was a significant improvement from the $5, 6 million posted in the previous comparable period.

5.1 Land Reform Disputes and Settlements

The impact of the land reform program and the uncertain political situation is evident in the sugarcane industry. Firstly, the condition and high yields (about 160 tons/ hectare) at the well managed Triangle and Hippo Valley Estates are far better than the sugarcane fields and yields (as low as 4 tons/ hectare) of the black resettled farmers. One of the main issues confronting smallholder farmers who were allocated land during the land reform process is the lack of coordination and cooperation to maintain, clean or repair public irrigation facilities such as pipes, dams and the water canal. This has resulted in water leaks from dams or pipes resulting in salinization on some cane fields, and poor flow of irrigation water. These issues are reported to be increasing each year and are expected to have further harm to sugarcane production if they are not addressed. Some of the land that was allocated to smallholder farmers during the land reform process is now fallow as new farmers are not re-investing into these farms, or are employing unqualified labour force to manage the farms.

5.2 Labour Unrests: Role of Trade Unions

Freedom of association and collective bargaining are basic human rights that the business seeks to build and maintain with its employees and their union representatives. Besides enhancing freedom of association, trade unions are also seen as vehicles of workplace democracy and industrial harmony. In a bid to enhance workplace democracy and a harmonious working environment, Tongaat Hulett Zimbabwe bargains collectively with trade unions in the sugar industry. **Table 9** shows the main trade unions in the sugar industry.

Table 9: Trade Unions in the Sugar Industry

Trade Union
Zimbabwe Sugar Milling Industry Workers' Union (ZISMIWU)
Sugar Production and Milling Workers' Union of Zimbabwe (SPMWUZ)
Zimbabwe Sugar Milling and Allied Workers Union of Zimbabwe (SMAWUZ)

Source: Tongaat Hulett 2018 Report

Whilst workplace harmony is desired by both management and employees for effective sugar production. Tongaat Hulett has been experiencing a lot of labour unrests, stretching back to as far as 2014. The organisation has been experiencing strikes, inability to settle for Collective Bargaining Agreements with the Trade Unions, Labour Court Cases emanating from disputes with Trade Unions, cases of union fees mismanagement and several other labour related issues.

In December 2015, about 16,000 workers, embarked on a crippling month-long industrial action that disrupted local sugar supplies, demanding a salary increment. The workers staged a sit-in strike that followed the collapse of negotiations over pay rise between the workers and the employer. Barely two months after that strike action, the organisation fired 4300 employees with 2 700 workers having been released at the company's Triangle Estates, while 1 600 contract workers were fired from Hippo Valley Estates. In 2018, Tongaat workers, through their labour body, Zimbabwe Sugar Milling Industry Workers Union (ZISMIWU) were then awarded a 15% salary increment, dated back to April 2017, after threatening to burn their employer's two sugar mills and cane fields at Hippo Valley and Triangle estates if their demands were not met.

Commenting on why the employees always go on strikes related to wages, SPMWUZ Trade Unionist alluded that the challenges faced by Tongaat Hullet were not money related. Mostly, these challenges were caused by management when they make unilateral decisions on issues that concern employees. Thus, he argued that at one moment, Tongaat Hullet even paid their employees cost of living allowances, which were more than double the salaries being earned by these employees. However, employees were not much interested in allowances but a real wage that has a bearing on the pension content. Allowances were argued to be easily controlled by management at their discretion,

Infighting amongst the workers bodies themselves has been experienced over the past years. In August 2015, The Zimbabwean News reported that ZISMIWU has been dogged by factional fighting for three years, with Admore Hwarare, the former leader implicated in several allegations of financial abuse and mismanagement. Hwarare has been alleged to have been funding ZANU (PF) big wigs and their political activities, ignoring the plight of workers. In an urgent Chamber application of 3 and 8 June 2016 (Harare) ; case of ZISMIWU VS Minister and Tapiwanashe Matangaidze and Minister of Public Service, Labour and Social Welfare, the case revealed that the situation at ZISIMIWU was not a bed of roses. There were accusations and counter accusations from rival executives. Standing executive members claimed to have ousted the former executive through the unpopular votes of no confidence and supposedly democratic elections. The other former executive led by Admore Hwarare and Simbarashe Nyemba was accused of having at one time burnt and destroyed records at the applicant's offices in Chiredzi after the second respondent released a document that an investigation team was to be sent to Chiredzi to investigate them. Further to that, there were claims that some political elements were meddling in the affairs of the applicant. In another case of Zvanyanya & 9 others vs ZISMIWU (HMA 38/19, HC 459/18)] 2019 ZWMSVHC 38(28 August 2019), applicants complained of former members being still in the national executive committee after leaving employment. The applicants further alluded that the Trade Union was not holding general meetings as mandated by its constitution.

Given continuous allegations being raised against ZISMIWU, the Union was put under administration by Public Service, Labour and Social Welfare Minister Prisca Mupfumira. Thus, a raft of allegations, including flouting the Labour Act and its own constitution, using Union funds to support political activities, failure to comply with statutory remittances to the Zimbabwe Revenue Authority (Zimra) and the National Social Security Authority (NSSA), absence of a Union asset register and extension of loans and advances to executive members, staff and the National Employment Council staff were raised.

These allegations and cases of infighting were affecting the smooth flow of operations in sugar production. For example, as from the 2018 Collective Bargaining Agreement, Tongaat Hullet and Trade Union bodies have been failing to materialise any other agreement. SPMWUZ national executive member even confirmed that the discord and power struggles in ZISMIWU had been causing CBAs not to take place. The management at Tongaat Hullet further confirmed their inability to meet with trade unions citing that they were waiting for the Unions to put their houses into order before they could enter into a CBA.

ZISMIWU used to be the dominant Union in the industry, with an estimation of 20 000 members in 2013. However, recent years have witnessed a continuous drop in the membership, with some members opting to join SPMWUZ and SMAWUZ. Thus, in March 2015, in the case of ZISMIWU vs Alfred Makwarimba and others, the union claimed to carry a membership of 16000 workers, though the Union could not prove such claims with a Union register to the court. The current estimates as at July 2020 were 7000 members for ZISMIWU, around 2800 for SPMWUZ, and 400 for SMAWUZ. One of SPMWUZ leaders even alleged that at the present moment, there was no Union with a majority membership in the Sugar industry. Thus, the majority membership is measured by the ability of union to have more than half of the employees, being members, and not by a union having more members compared to other unions in the same industry.

The infighting, inability to prioritise union business and misappropriation of funds are some of the key issues that saw ZISMIWU failing to execute its mandate to the expectation of the members. Besides cases of infighting, ZISMIWU has been alleged to be bedding with management at the plight of workers. In October 2019, former union leaders Admore Hwarare and Simbarashe Nyemba were alleged to have teamed up with the then Human Resource Manager, Freddy Nyangwe to convert union funds amounting to US$ 3.6 million into personal use. The team further burnt the company offices to destroy any evidence to that matter. This interference of management into union activities has therefore led Tongaat Hulett into losing a lot of money. Thorough the courts, the company have since been making efforts to recover the money by making the trio to pay back the money.

The underperformance of ZISMIWU has seen union splits, resulting in additional challenges being faced by the company and its employees. Thus, splitting meant that the Unions were to fight for membership within the same organisation. In January 2013, Tongaat Hulett Workers protesting over the decision to bar them from joining a union of their choice took their dispute to the Labour Court. Thus, the workers alleged that the company was deducting US$5 per month and remitting it to a union the workers refused to join. The workers renounced their membership with ZISMIWU arguing that it was not fully representing them and constantly raising subscriptions.

The workers even claimed suspicion of corruption on the part of Tongaat Hulett, which has continued to administer the check-off system on behalf of ZISMIWU and remitting their contributions. The workers argued that they were not supposed to be forced to pay subscriptions to a union. Thus, workers were to determine and not the employer, the Union that they wanted to represent them and when they are not satisfied with services they were allowed to stop dealing with that particular Union. The employer therefore had no say in the Union that workers prefer, and it became unlawful for an employer to force workers to deal with a particular Union especially one that does not serve their needs.

In the same vain, SPMWUZ claimed that Tongaat Hullet was meddling in Union affairs, as the company was directing subscriptions of its 7000 members to ZISMIWU. This matter was later settled by the Mister of Public Service, Labour and Social Welfare in terms of Section 52(1) of the Labour Act, which gives rights to a registered Union to collect Union dues and Section 54 (1), which obliges the organisation, as an employer of the Union members, to collect Union dues through the check -off system and remit to the Union.

With these fights for membership being experienced due to more Unions coming into play, unity of purpose in addressing workers' plight seem to have been lost. Whilst Union business is a mandate for the employees to deal with, disgruntlements by employees on welfare issues also affect the sugar business at large. Interventions to restore and strengthen the employer-employee relationship, trade union- employee relationships; and the working environment should be instituted.

5.3 Regional Wage Differentials

Disputes over salaries and wages, especially for lower-level employees has been one of the key challenges with the Zimbabwean Sugar Industry. In December 2015, a severe strike of 16000 workers was witnessed after the collapse of negotiations with the employees. The main source of the disputes has always been

over low salaries, coupled with wage differentials among the Tongaat Hullet workers employed in its four main operations in Southern Africa (South Africa; Mozambique, Swaziland and Zimbabwe). The Zimbabwean based workers have been complaining of being the least paid compared to their counterparts, regardless of the fact that they were the most productive.

In 2015, Zimbabwe Sugarcane Milling Workers' Union secretary general alluded that the minimum wage for a worker in the lowest grade in Tongaat Hulett-Mozambique, for instance, was $480, South Africa R6,000 and in Swaziland $400, compared to USD 170 which was given to the local workers. In 2016, the local employees were paid about US$ 180, whilst the minimum for the other areas was about US$ 400 per month. Such discrepancies seemed to be worsening with the ever-eroded local Zimbabwean currency, to the extent that by April 2019 the least paid worker in the sugar industry was getting about 350 Zimbabwean bond notes, which was equivalent to only US$100, in a region where workers were paid between US$400 and US$480.

Whilst the employees compare themselves regionally with their Tongaat Hullet counterparts, management seem to be of the view that the minimum wage paid compares fairly well with other employees in the local agricultural industry. One of the managers was even quoted saying, "The minimum wage of $170 is the highest in the agricultural and agro-processing industry. Workers also receive subsidised housing, water, amenities, education and free health care services." Such sentiments seem to show that management mainly focus on local rather than regional comparisons in their wage determinations, in as much as the management were willing to continuously negotiate with the employees for an amicable solution.

5.4 Consumer Health Concerns

Health concerns about sugar consumption and its linkages to chronic diseases such as diabetes and obesity have hounded the sugar industry. South Africa has introduced a sugar tax or a health promotion levy in March 2018. The effect of the sugar tax has been weaker domestic demand for sugar forcing sugar producers to export sugar at depressed global prices due to a sugar glut on the global market. A similar scenario could play out in Zimbabwe should government decide to implement a sugar tax. This could be viewed as an attractive policy by a cash strapped government given that South Africa wrecked in R2 billion in 2019 from its sugar tax. Moreover, a leading South African food manufacturer Tiger Brands has reduced its sugar use by 12 000 tonnes or 12 percent over the past five-year period. Tongaat Hulett fears that as more food manufacturers curtail their use of sugar in response to growing consumer awareness of the need to curb sugar consumption due to obesity and sugar diabetes concerns in both countries, this will negatively affect their financial performance. Although evidence of decline in sugar consumption due to health concerns were not clearly identified in Zimbabwe, we note that diversification into ethanol and alcohol production by Tongaat Hulettt in Zimbabwe could be partly driven by anticipated reductions in aggregate sugar demand or reduced average sugar intake due to consumer health concerns in future.

5.4.1 Vitamin A Fortification

The Zimbabwean government passed a regulation for the mandatory fortification of household sugar with Vitamin A effective July 1, 2017. This regulation was passed as part of the Zimbabwe National Food Fortification Strategy 2014 - 2018, which is aligned to the National Food and Nutrition Strategy for Zimbabwe that serves as a guideline to both policy and implementation levels to prevent micronutrient deficiencies. The strategy was developed to address the micronutrient deficiency burden in the country as revealed by the 2012 Zimbabwe Micronutrient Survey. According to the survey, 19 percent of children aged 6 - 59 months are vitamin A deficient, while 72 percent have iron deficiency, and 31 percent are anaemic and nearly 1.5 million working age adults with anaemia suffer deficits in work performance.

VI.Future Prospects: Diversification and Corporate Social Responsibility

Developments in the sugar industry are affected by a myriad of issues affecting the entire value chain. At the production level issues of empowerment in terms of land allocations remain unresolved. Negotiations between farmers and grower associations and Tongaat Hullet and labour unions are still rife with issues of asymmetric power, moral hazard or trust issues. There are growing calls for local ownership of the sugar processing stage of the value chain currently dominated by Tongaat Hullet. Diversification into ethanol production is being driven or propelled by consumers' decisions to lower average sugar intake to avoid health risks from obesity and sugar diabetics. The parent company is dealing with the challenges of mounting debt, governance, trust and other issues that might spill over into the Zimbabwe subsidiary. Nonetheless, Tongaat Hulett Zimbabwe is implementing income diversification and risk management strategies which include the following;

6.1 Game and Livestock Farming

The company is running the largest cattle herd and extensive game reserves, which have significant potential for tourism**.** Plans are in place to grow the company's cattle herd size from the current 6 000 head to 30 000 head in the next four years, using intensive farming, irrigated pastures, feedlots and improved genetics. A phased rehabilitation and modernisation of the mothballed 42 000 ton per annum animal feeds plant at Triangle mill is planned.

6.2 Diversification into Ethanol Production and Industrial Alcohol

Tongaat Hulett has diversified into industrial alcohol and fuel grade ethanol production in Zimbabwe. Ethanol production and electricity generation optimizes the value extracted from sugarcane and diversifies revenue streams for the sugar operations. These have the potential to provide an opportunity for further rural development and job creation which is important for the future expansion of the sugar industry. Tongaat Hulett's molasses is used in the animal feeds operation in South Africa and for ethanol production in Zimbabwe.

During the 2017/18, the distillery produced 21,7 million litres in total, with 27,5 million litres planned for 2018/19. In 2017, the statutory blending ratio was increased from 15 percent to 20 percent, with a further increase to 25 percent likely. Plans are being developed to debottleneck the Triangle distillery to increase production capacity from 40 to 70 million litres, in line with the growth in the market.

Electricity remains an important co-product of sugar production. All the sugar mills generate their own electrical power needs, using sugarcane fibre as a fuel, and some generate additional power for irrigation and supply into the grid. With an injection of additional capital investment, much more electricity can be produced from the same fibre energy through high pressure boilers and improved sugar mill efficiency. Opportunities are being explored for increased electricity power generation in Zimbabwe.

6.3 Public Health Service Delivery: Corporate Social Responsibility

In Zimbabwe, Tongaat Hulett plays a significant role in the provision of primary healthcare. In the 2017/18 year, some 240 763 people received primary healthcare support through the two hospitals that the company manages in the eastern Lowveld as part of its corporate social responsibility. The company continues to work with the government and local communities on the orderly development of sustainable indigenous private farmers in the south-eastern Lowveld. The extent of sugarcane supplied by indigenous farmers has grown from 532 000 tons in the 2011/12 season to just over 1,075 million tons in 2017/18. During this time, the cumulative number of jobs created by these farmers has increased from 4 750 to 8 000 people. Through the multiplier effect, this has substantially contributed to the economic development of the region.

VII.Conclusion

The Zimbabwe sugarcane value chain has endured many years of growth and decline oftentimes surmounting many difficult challenges since the 1930s. The key player, Tongaat Hulett survived several mergers and acquisitions and rose to become a multinational corporation headquartered in South Africa with operations in Zimbabwe Botswana, Namibia and Swaziland now Eswatini. Tongaat Hullet established its Zimbabwe subsidiary in the South-eastern town of Triangle in 1962.

Zimbabwe's sugarcane value chain comprises large sugarcane estates and small farmers who operate 25-hectare plots allocated to individual farmers during the land reforms in 2000. Downstream the sugarcane value chain includes research station, sugar milling plants, sugar refinery and marketing agent, Star Africa which is responsible for packaging and marketing the sugar in domestic and export markets. Farmers are organized through grower associations while Tongaat Hulett employees belong to various Unions.

Challenges facing the Zimbabwe sugarcane value chain and Tongaat Hullet specifically includes the forensic investigation by Price Waterhouse and Coopers (PwC) on accounting scandals facing parent company, high sugarcane yield gaps between Estates and new farmers, underutilization of farms allocated to smallholder farmers as some land is lying fallow, unresolved empowerment issues with respect to land ownership and percent indigenous ownership of sugar processing plants, depressed global sugar prices, employee strikes for better wages, tensions between various unions, complains about low sugarcane prices from small farmers and consumer health issues.

Long term survival and sustainable competitive advantage could arise from new and improved varieties, effective pest, land and water management practices, increased capital investment to enhance the efficiency of sugar mills, offloading of debt by Tongaat Hulett management, addressing issues of regional wage differentials, diversification of revenue earning streams and opening up new lands for sugar production in view of the under-utilized processing capacity and increased availability of water arising from recently completed Tugwi-Mukosi dam and opening up of new sugarcane production frontiers at Mwenezana Estates and Kilimanjaro Estates.

Finally, according to CEO of Tongaat Hulett parent company, Gavin Hudson, the sugar company is not about to embark on a fire sale. However, there is an urgent need to manage debt to more sustainable levels, diversify operations, return to JSE and restore company's credibility and reputation. These outstanding strategic issues define some of the company most teething problems that need to be resolved in 2020. Yet there are numerous opportunities that the company can aggressively pursue in order to secure sustainable competitive advantage on the domestic and export markets.

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