New move to rationalize sugar pricing

BY STANLEY MBAGA

Sugar stakeholders in the country have agreed to change current system of importing sugar by embarking on dollar based reference price (DBRP) system in order to have proportional price in the local and international markets.

The new system is likely to be a corrective measure to create a level playing field in the distribution and retailing of sugar, imported and locally produced.

There has been price distribution in sugar pricing in the local market, forcing locally produced sugar to be stockpiled in the godowns because of low priced imported sugar which enter the local market by fair or foul means.

However, it is very difficult to determine how much imported sugar enter the local market, because so much sugar is smuggled into Tanzania in the southern part of the country, especially from Malawi and Zambia, the countries which produce sugar and import sugar from Swaziland.

Tanzania imports 220,000 metric tons per year to fill the shortfall in local sugar production estimated to be at 300,000 tons.

DBRP is a tariff based on the difference between the dollar based reference price and the world price of sugar which fluctuate over time, depending on the fluctuation in the variables of the pricing formula.

The variables can be currency fluctuations and the currency adjustment factor (CAF),

Speaking with The African in Dar es Salaam on sugar stakeholders meeting in Morogoro this week Director General of Sugar Board of Tanzania (SBT) Henry Semwanza said stakeholders have agreed to have a system that will protect the local market from the vagaries of the international market to achieve rationalized marketing.

"We have agreed for a researeh to be conducted to have a system whereby the price of sugar will change according to the world market while importing the commodity in order to have even and similar price in the region in order to protect local industries. We are working on that issue because it is in the East African Common External Tariff system," said Semwanza.

Semwanza said that the price of sugar last year was low in the world market and there was a mistake by the government to put low sugar tariff and thus disrupt the market.

According to Semwanza Common External tariff is 25 percent and in 2012 the government put the tax at 10 percent and disrupted the market.

The board is working on the issue and will inform other East African Community (EAC) members to change the system because sugar is very sensitive product as mentioned in East African Custom Management Act 2004 to have common tariff.

The board said that other challenges the stakeholders have agreed to address is smuggling whereby sugar is smuggled through borders of neighbouring countries to Rwanda, Burundi and DRC.

"What is disrupting the local market is not 'gap sugar' but smuggled sugar which enters through porous borders. There is a smuggling sugar ring through Zanzibar port.

As you know our law does not cover Zanzibar. They import much sugar there than their demand and the remaining is smuggled out of Zanzibar," he said.

The stakeholders met under the chairmanship of the Minister for Investment and Empowerment in the Prime Minister's Office Dr Mary Nagu who agreed that regulators and state organs should liase to prevent the crime.

In the way forward sugar agreement stakeholders agreed to have bulk importation of sugar for home consumption and industrial use by involving the Sugar Board, producers and few businessmen to maximize on the available economies of scale.

Also the stakeholders discussed on the importance of availability of sucrose content in sugarcane (rendment) of small sugarcane out-growers in the laboratories because there are allegations that farmers are being given less than they deserve due to unprofessionalism conduct.

SBT said the situation of sugar production in the country is good because there are 82,000 tones of sugar in stock and production is going on smoothly.

"We assure the people that sugar will continue to be available until new season at the end of May and beginning of June and we are still making a follow up of the commodity to detect misconduct and if there will be any violation of the rules we shall take tough measures accordingly," said

Mary Nagu, Minister in the Prime Minister's Office-Investment and Empowerment.

Nagu said that the sugar stakeholders agreed to create a more conducive environment of the market in order to attract more investors as one of the permanent solutions to meet the supply gap through increased production.

Tanzania is a sugar deficit country, with four large estates producing about 300,000 tonnes of raw sugar annually, leaving a shortfall of 220,000 tonnes to be met by imports.