

SA FARMERS DEVELOPMENT ASSOCIATION

- SAFDA -

Engagement with the Portfolio Committee on Trade and Industry

Mr Siyaboga Madlala, SAFDA Chairperson
Ms Lindiwe Hlubi, SAFDA Deputy Chairperson
Mr Andile Buthelezi, SAFDA Central Executive Committee
Mr Thandokwakhe Sibiyi, SAFDA Operations Director

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This is who SA Farmers Development Association (SAFDA) is...

- SAFDA is a member-based, voluntary non-profit association of like-minded farmers who believe in the development and sustainability of emerging and small-scale farmers.
- Our Mission is to be a **Farmer driven partnerships for development of sustainable black farmers and the transformation of rural industries and rural economy**
- Vision is **Thriving rural communities and rural economy**
- Strategic Intent is to be **A partner of choice**
- We are driven by the Core Values:
 - **Cooperation**
 - **Integrity**
 - **Effective Partnership**
 - **Efficiency and reliability**
 - **Diversity**
 - **Honesty**
 - **Accountability**
 - **Respect**



Historical Structure of the SA Sugar Industry

Department of Trade and Industry

SA Sugar Association

Millers Association

- Tongaat Hullet Sugar
- Illovo Sugar
- UCL (Dalton, KZN Midlands)
- RCL Foods Sugar
- Gledhow Sugar Company (Stanger)
- Umfolozi Sugar (Mtubatuba, KZN)

Growers Association

WHERE ARE WE LOCATED?



-  IRRIGATED AREAS
-  RAIN FED AREAS
-  SUGAR MILLS



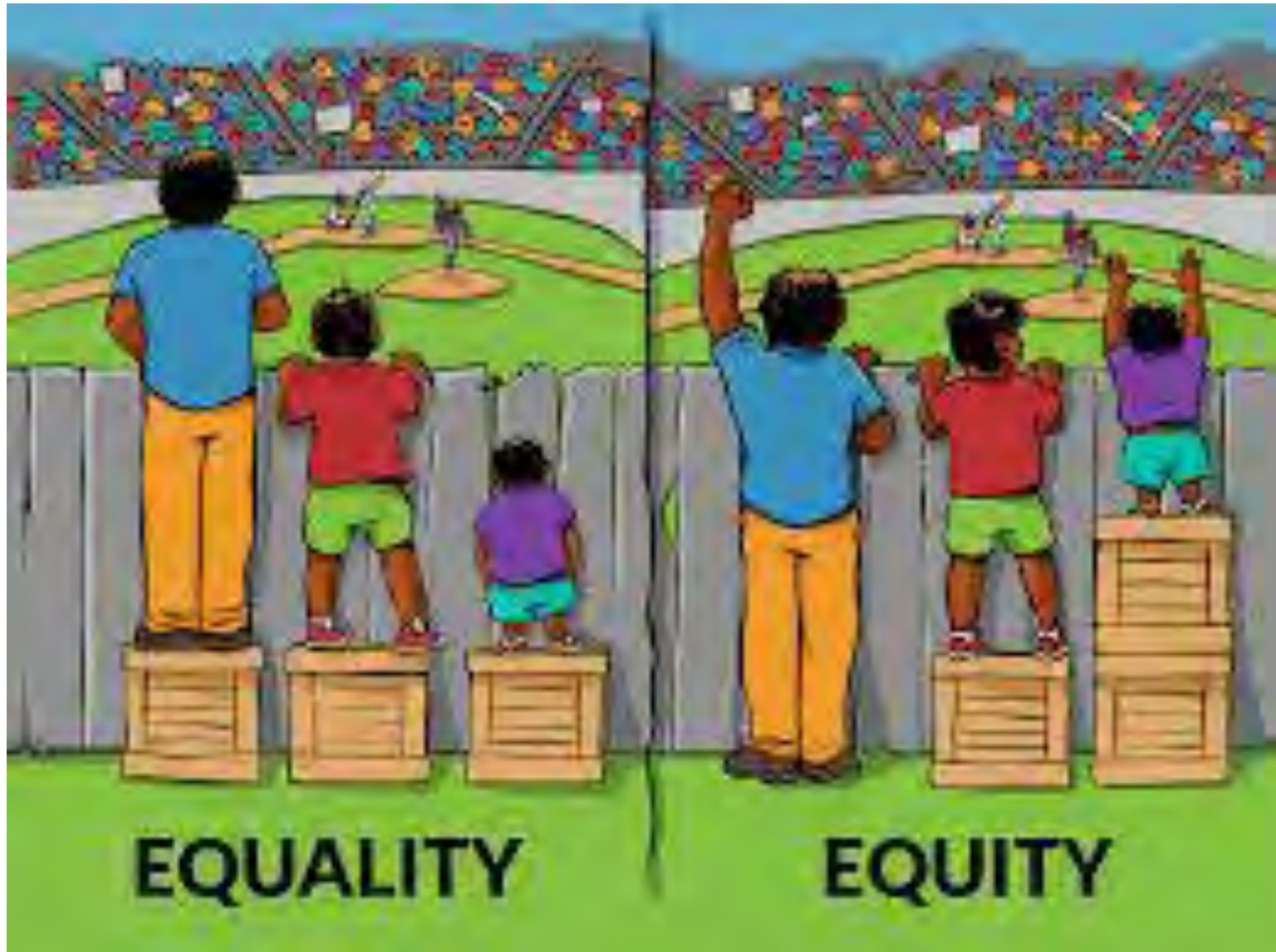
SA Sugar Industry Regulatory Framework

Sugar Act, Act 9 of 1978 (last amended on 5 June 1992)

→ **Sugar Industry Agreement 2000 (Subordinate Legislation)**
Section 4 of the Sugar Act, Act 9 of 1978

→ **SA Sugar Association Constitution (Subordinate Legislation)**
Section 2 of the Sugar Act , Act 9 of 1978

Equality versus Equity



THE SAD ECONOMIC REALITIES OF OUR FARMERS

	Large scale grower		Small scale grower		Land reform grower	
Yield	93	42	65	40		27
Revenue	32 242	17 217	22 535	16 397		11 068
Expenditure						
<i>Farm staff</i>	4,520	3,531	5,424	4,237		3,821
<i>Chemicals</i>	979	980	1,175	1,176		1,818
<i>Fertiliser</i>	3,616	2,225	4,339	2,670		2,727
<i>Fuels & lubricants</i>	1,621	1,189	1,945	1,427		671
<i>Mechanical Maintenance</i>	1,828	1,225	2,194	1,470		136
Total Costs	24 686	14 961	29 623	17 953		16 939
<i>Administration</i>	1,007	785	1,208	942		0
<i>Insurance</i>	429	289	515	347		202
<i>Licences</i>	27	35	32	42		211
<i>Irrigation Costs</i>	3,563	54	4,276	65		0
<i>Sundry</i>	1,943	1,368	2,332	1,642		1,091
<i>Contractors</i>	1,016	1,041	1,219	1,249		6,035
<i>Cane transport</i>	2,591	1,355	3,109	1,626		0
EBITDA	7 556	2 256	-7 088	-1 556		-5 871

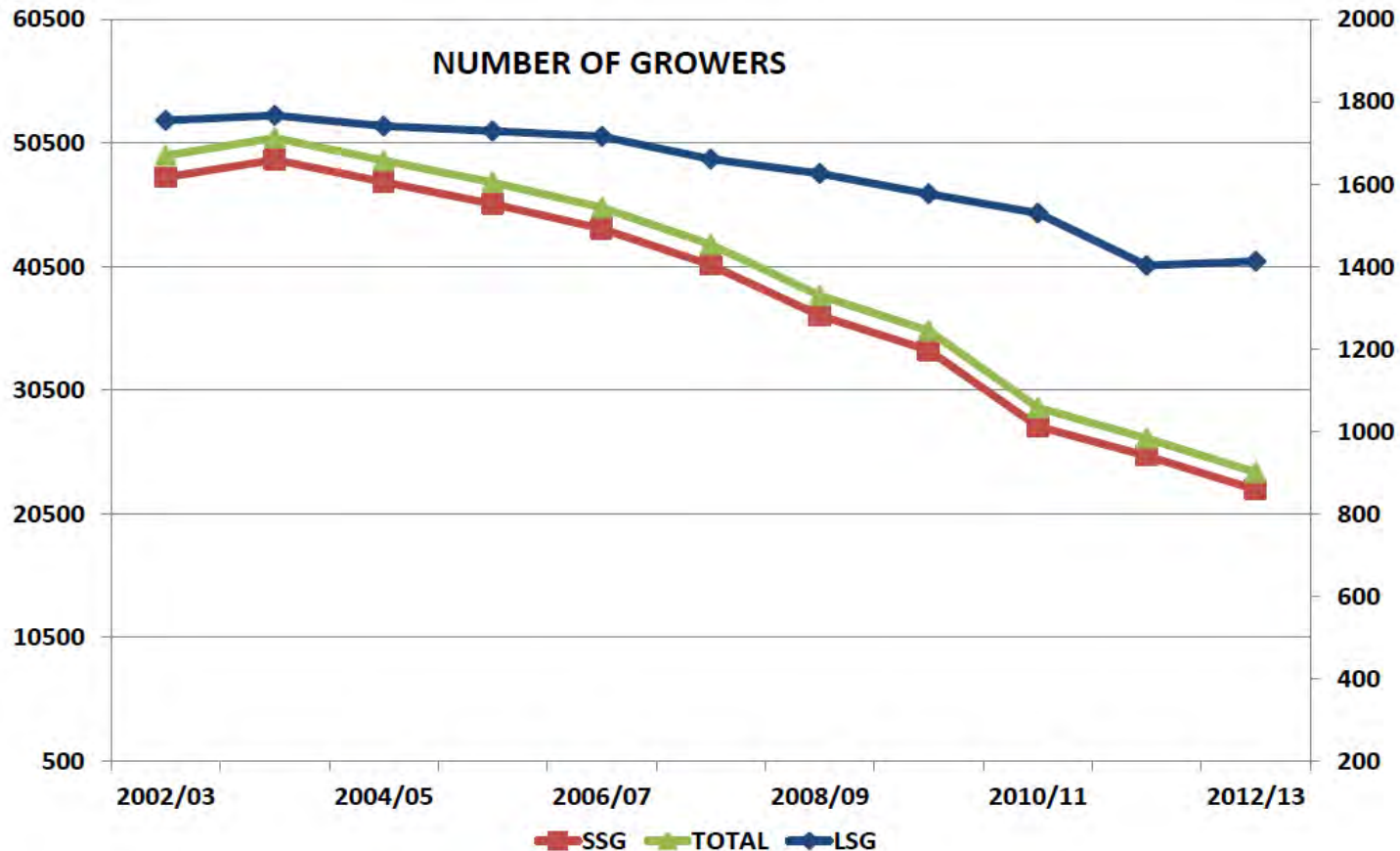
Emerging growers are facing both cost and yield challenges. The 27 TPH production is not the end but a milestone in the road to the end of Land Reform



Challenges Emerging Sugarcane Farmers Face in the Sugar Industry

- Emerging farmers in general and small scale growers in particular face a number of challenges to their businesses
 - General lack of **economies of scale** and scope
 - Relatively **high input costs** (chemicals and seeds)
 - Lack of **access to markets** (sugar is only guaranteed market)
 - No **control of logistics and schedule s** – at the behest of contract companies
 - Farming **marginal lands** and communal lands
 - Restituted farmers not deriving true value of their land – **farms leased back** to previous owners
 - Business and agronomical imperatives not always followed
 - Serious governance challenges especially in cooperatives
 - Lack of access to sustainable development / commodity **finances**
 - 50 years Cane Supply Agreements
- There are specific issues facing the black cane grower
 - Declining profitability
 - **Declining numbers : From 50 000 in early 2000s**
 - Very low yields, much lower than industry averages
 - Lack of access to funding
 - Unsustainable operations
 - Reduced production and therefore limited cane supply to mills
 - **Distance from sugar mills**, especially for Makhathini growers
 - High harvest to crush delays, especially after accidental burning

Decline of small-scale farmers until 2015 at the peak of drought



Source: SA CANE GROWERS Association, 2015

SSG->Small-scale growers
LSG->Large-scale growers



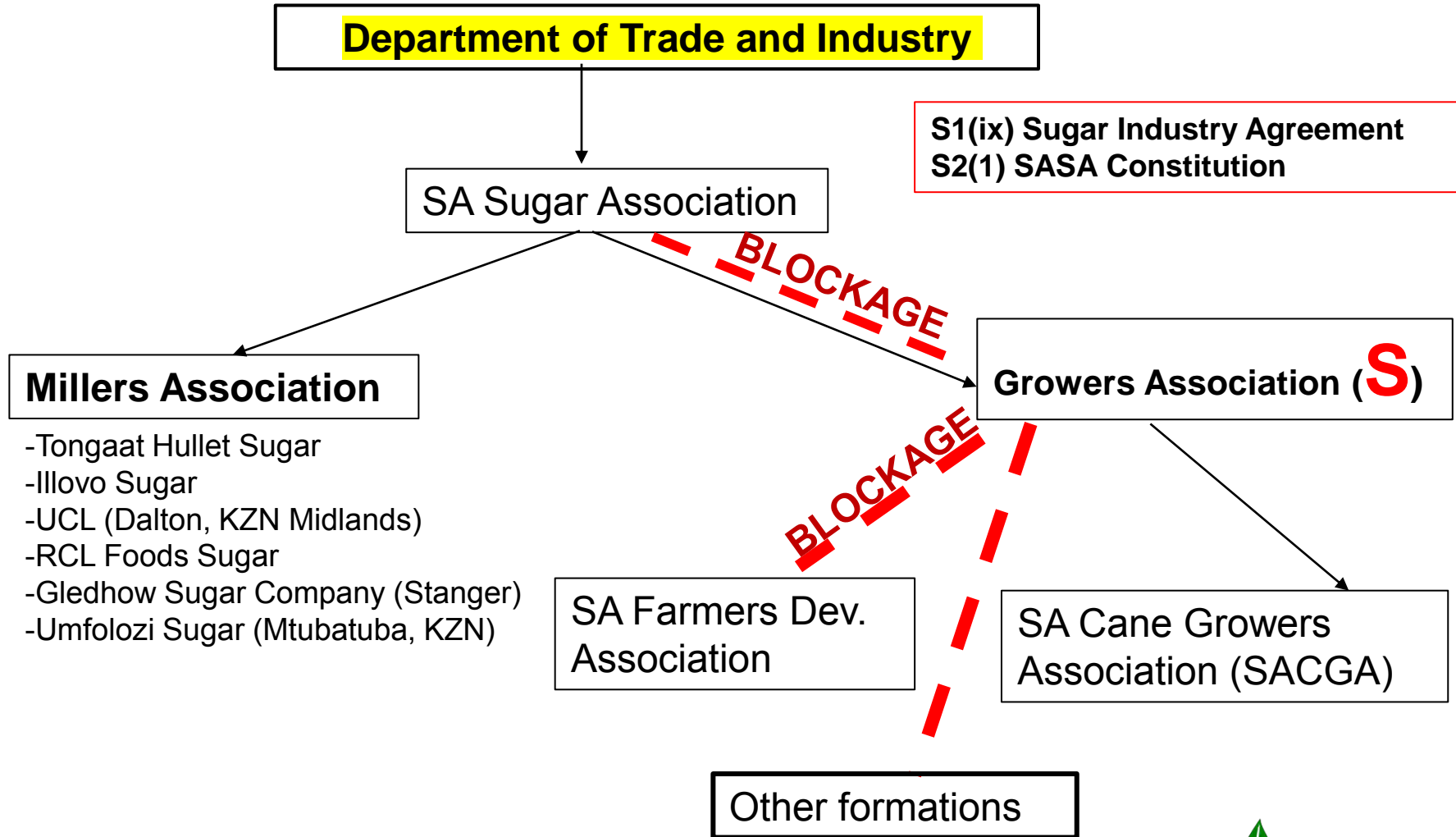
In the words of Chief Albert Luthuli... *“we should never have allowed ourselves to be assimilated into White structures that could never serve our needs”*



WHY SAFDA WAS FORMED?

- SAFDA is a organisation that focuses on the **unique challenges** facing **emerging growers** in the sugar industry.
- Current interventions and the structure of the industry have been ineffective in addressing these unique challenges.
- SAFDA is the voice of the voiceless and marginalised emerging black sugarcane farmers who feel excluded from effective participation in the historical industry structures.
- Farmers have taken a conscious and proactive decision to solve these challenges to ensure that there is ‘nothing about us without us.’
- SAFDA has over 2500 registered members across KZN and Mpumalanga provinces. Our support is much bigger.

The prohibitive arrangement in the SA Sugar Industry



Sections of the sugar industry regulatory instruments impeding growers' freedom of association (Section 18 Bill of Rights: SA Constitution).

- Section 1 (ix) of the Sugar Industry Agreement: **“Growers’s Association means the South African Cane Growers’ Assciation (Incorporated Association not for gain)**
- Section 2 (1) of the SA Sugar Association Constitution: **Membership:** The members of the Association shall be the South African Sugar Millers' Association Limited (representing millers and refiners) and the South African Cane Growers' Association (representing growers) hereinafter referred to as "the Millers' Section" and "the Growers' Section", respectively.

Ministerial prerogative to change Regulations emanating from Sugar Act

2(1) The Association known as the South African Sugar Association shall under that name, with effect from the date of commencement of this Act, be a juristic person with a constitution of which the terms shall be published by the Minister by notice in the *Gazette*. (2) **The Minister shall in like manner publish any AMENDMENT** of the said constitution. (3) The Registrar of Companies shall as soon as possible after the commencement of this Act enter the name of the Association in the register kept by him of bodies incorporated by Statute.

4(1) (a) **The Minister shall** after consultation with the Association determine the terms of an agreement to be known as the Sugar Industry Agreement, which shall provide for, and deal with, such matters relating to the Sugar Industry as are, in the opinion of the Minister in the interests of that industry but not detrimental to the public interest. (b) (i) **the Minister** may at the instance of, or after consultation with, the Association, **AMEND** the agreement if the Minister is satisfied that such amendment is in the interests of the Sugar Industry and not detrimental to the public interest.

WHAT WE HAVE DONE THUS FAR

- We formed SA Farmers Development Association (Nov 2015).
- We engaged SA Sugar Association and industry partners asking for recognition (December 2015).
- Mediation driven by the KZN Premier with MECs-Agriculture, Economic Development (early 2016).
- Recognition March organised by farmers (25 August 2016).
- DTI and millers association funded facilitation process.
- Agreements between SA Farmers Development Association and SA Cane Growers Association signed and cancelled (24 November 2016; 19 January 2017; 10 March 2017)
- DTI directive ignored by SA Cane Growers Association and sugar industry (April 2017)
- Litigation: SA Cane Growers' Association took us to courts with our own levies to silence and crush our Constitutional right to represent ourselves (2017).
- We wrote to SASA Administration for them to rule on unauthorised levy deduction from poor farmers against their will.



2016 SAFDA RECOGNITION MARCH



RECOMMENDATION ON WAY FORWARD

- 1. Immediate implementation of the dti DG's directive.**
- 2. Amendment of the Regulations by the DTI Minister to open up participation in the sugar industry structure.**
- 3. Retrospective refund of our levies from time we formed SAFDA.**
- 4. Review the payment system of the SA sugar industry to effect premium payment for emerging famers based on Local Market.**
- 5. Transformation and beneficiation in the SA sugar industry value chain.**
- 6. We request timelines for the implementation of these recommendations.**
- 7. Portfolio Committee to provide oversight in the implementation of these recommendation.**

SIYABONGA

THANK YOU

QUESTIONS & DISCUSSIONS