

Presentation to the Portfolio Committee on Trade & Industry

the response - South African Farmers
Development Association (SAFDA)

Date : 12 October 2017



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REPUBLIC OF SOUTH AFRICA

Outline

- Introduction
- Problem statement
- Production and price trends
- Agriculture Farms
- Export Markets
- Responses
- Conclusion

Introduction

- The Sugar Industry is governed by the Sugar Act of 1978.
- The Sugar Act makes provision for the establishment of a South African Sugar Association (SASA) to administer affairs of the sugar industry in South Africa.
- SASA is mandated to oversee the operations of the sugar industry and report to the Minister of Trade and Industry.
- The Act also provides for the establishment of a Sugar Industry Agreement (SIA) as a regulatory framework guiding the implementation of the Sugar Act.
- SIA recognises the South African Millers Association (SAMA) and South African Cane Growers Association (SACGA) as the only institutions representing the sugar millers and sugar cane growers.

The Problem

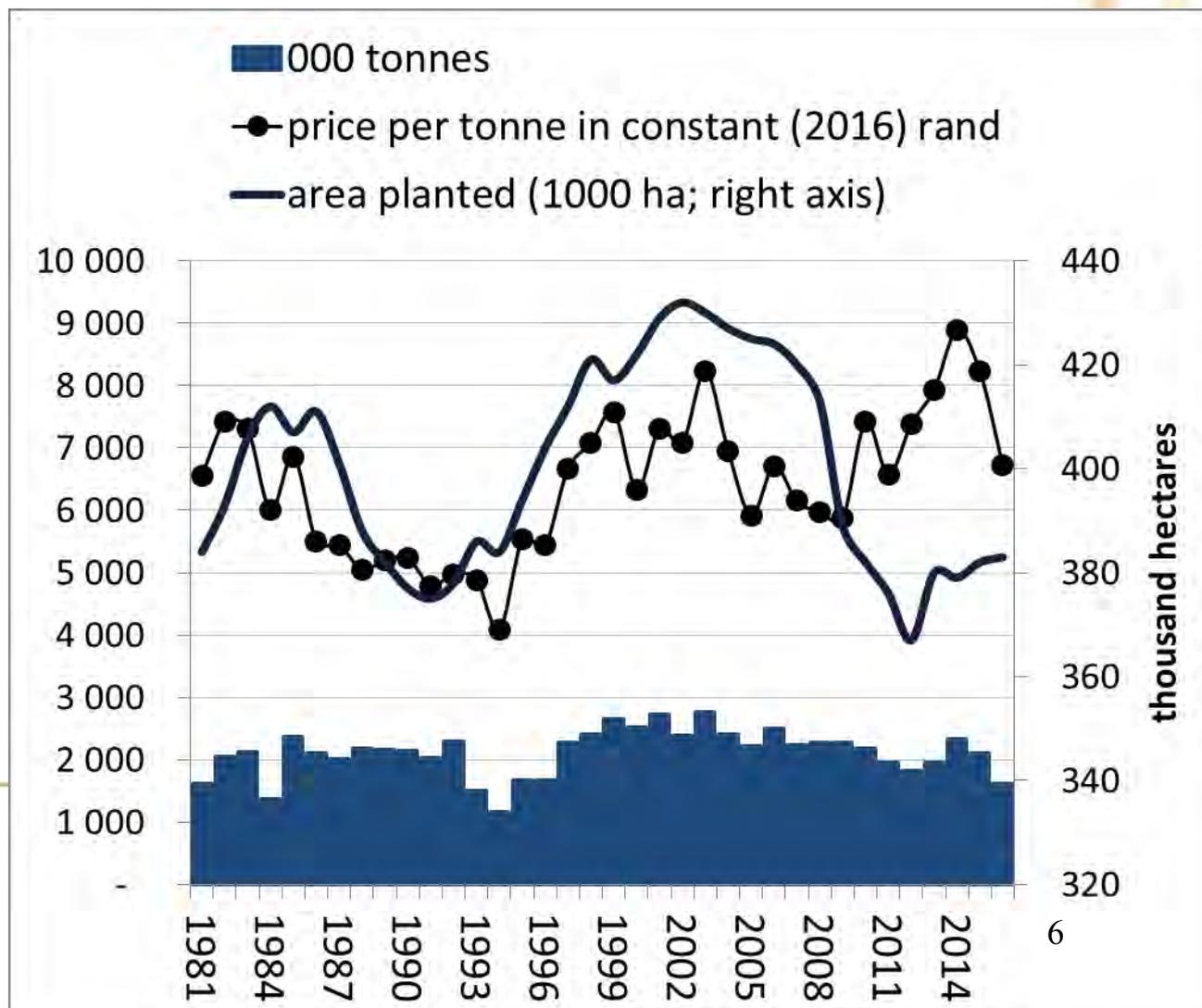
- “Black farmers, although since the repeal of the 1936 Sugar Act in 1978 are no longer illegals, they are still treated as second class citizens by the South African Sugar Association (SASA). The sugar milling sector remains totally untransformed”
SAFDA
- There has been a general decline in sugar cane production in South Africa over the past 15 years.
- Decline in sugar cane production due adverse weather conditions
- Diminishing profitability of growing cane in terms of input costs versus financial returns and limited capital availability
- The withdrawal of cane supply support traditionally provided by sugar milling companies

Production Trends

- There are 14 cane producing areas in South Africa around Eastern Cape, the eastern seaboard of KwaZulu-Natal and the Mpumalanga Lowveld.
- Sugar cane is mostly produced by large-scale growers of the 22 500 registered sugarcane growers, approximately only 21 110 are small-scale growers, mainly on “tribal” land.
- The six sugar millers also own some sugar estates, which represent about 7% of sugar cane growers.

Production and price trends

- Registered sugarcane farmers produce almost 20 million tonnes of cane annually
- Volume of production
 - doubled from 1994 to 2003
 - fell by a third through 2012
 - recovered through 2014 but then dropped again in the drought
- Price at import parity due to tariff – climbed with depreciation until global price fell from 2012



Agriculture: farms

- Critical infrastructure programme – capital equipment for agro-processing; helps on water & electricity;
- Input costs
 - Fertiliser
 - Transport
 - Water & electricity



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Alternate markets

- Botswana imported \$40 mill sugar in 2016; \$5.5 from Zim with tariffs of 23 and 24%; SA exports to Bots \$31.8 million
- Algeria (ranks 6th in imports of cane in world – 700 million 2016)
- Nigeria imports \$ 552 million almost all from Brazil
- Angola imports \$161 million; \$3 million from SA
- Tanzania imports \$ 60 million; half of it from India; \$ 16 thousand from SA
- dti programme for export support – EMIA



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Response

SAFDA RECOMMENDATIONS	DTI RESPONSE
<ul style="list-style-type: none">• Immediate implementation of the DG's directive.	DTI legal services to advice on the matter
<ul style="list-style-type: none">• Amendment of the Regulations by the DTI Minister to open up participation in the sugar industry structure.	Advice will be sought from the Office of the Minister
<ul style="list-style-type: none">• Retrospective refund of our levies from time we formed SAFDA	DTI will arrange a meeting between SAFDA & SASA to address the matter
<ul style="list-style-type: none">• Review the payment system of the SA sugar industry to effect premium payment for emerging famers based on Local Market.	DTI will arrange a meeting between SAFDA & SASA to address the matter
<ul style="list-style-type: none">• Transformation and beneficiation in the SA sugar industry value chain	DTI Transformation Unit has been consulted and process is unfolding with industry consultation



Response

SAFDA RECOMMENDATIONS	DTI RESPONSE
Request timelines for the implementation of these recommendations.	Work is in progress to address all the critical matters raised by SAFDA



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Response

- Agreement backed by a set of action plans to ensure inclusive growth
 - Real transition for farmworkers
 - Poor communities benefit from new investments and growth, rather than just being pushed out
- Resourcing for implementation
 - Government industrial financing and incentives
 - Large sugar producers (ensure they share benefits from shifting land use in particular)
 - DTI has proposed a follow-up meeting between SAFDA and SACGA focusing on the future development of the Sugar Industry



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Conclusion

- The policy oversight for supporting the production of sugar is within the mandate of the Department of Agriculture Forestry and Fisheries; and the Department of Rural Development and Land Reform.
- The dti in collaboration with these Departments is committed in addressing the binding constraints currently faced by the sugar industry
- In terms of manufacturing there is a growing niche market for artisan baked and sugar confectionery products and opportunities for export into Sub-Saharan Africa.

Thank you !



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