

2018-20 Transitional Arrangements & Sugar Tariff Protection

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A year from now
you may wish you
had started Today

Karen Lamb



10 October 2018

2018 – 2020 Sugar Industry Transitional Arrangements



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2018-2020 Transitional Arrangements

- Transitional Provisions for the sugar industry **gazetted yesterday, 9 October 2018 (No. 41967)**.
- SAFDA appreciates the **intervention** of the Trade and Industry PPC and DTI for achieving this critical industry **transformation milestone**.
- SAFDA can now speak with legitimacy, boldness and authority with **50/50 representation** in industry structures and our **funding** drawn from industrial levy.
- We could have been evicted, silenced and paralyzed by end of September 2018.
- Our January 2018 celebration and hard work of this PPC of past 12 months could have been rendered null and void.



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2018-2020 Transitional Arrangements

- SA Cane Growers Association was already celebrating the demise of SAFDA come the end of the first **Transitional Arrangements** (1 April – 30 Sep 2018). This as a result:
 - Dampened our spirits
 - Demoralized our committed and hard working field staff
 - Brought uncertainty to our farmers on the country side
- We welcome and celebrate this **gazettement**. It has restored our legitimacy and hope!
- SAFDA will contribute to the crafting of a long term plan for a **transformed, growing** and **sustainable** South African sugar industry.



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SAFDA Strategic Programmes



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Strategic focus areas



TRANSFORMATION

Favourable sugar industry dispensation which supports integration of black growers into meaningful participation in decision making.



LAND REFORM & SMALL-SCALE FARMERS

SAFDA is a credible and dependable facilitator of strategic partnerships between current large scale, land reform, small scale growers and agri-business.



GROWER CAPACITY DEVELOPMENT

Enhancement of agronomic, business leadership and management capabilities for all farmers.



GROWER FINANCING

100% grower owned development funding entity to leverage finance for farmers.



BULK BUYING DIVERSIFICATION & VALUE CHAIN PARTICIPATION

Grower owned companies to embarking on the businesses of bulk procurement of input supplies and implements, provision of contracting and cane haulage services. Diversification into cash crops and high value crops.



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Public-Private Partnerships

philosophy

- Land Bank, Coca-Cola, sugar industry **partnership** commitments
- Government is yet to come on board and match the support
- **Stimulus Package** announced by the **State President** could play a major role in bringing back to production 1000s of hectares on communal and government land.
- **Diversification** will unlock economic opportunities for many rural poor within the industry:
 - BIOFUELS
 - BIOGAS
 - BIOPLASTICS
 - BIOELECTRICITY
- The sugar industry is ripe to contribute in driving **economic transformation** with the right kind of partnerships and support.



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Sugar Import Tariff Protection



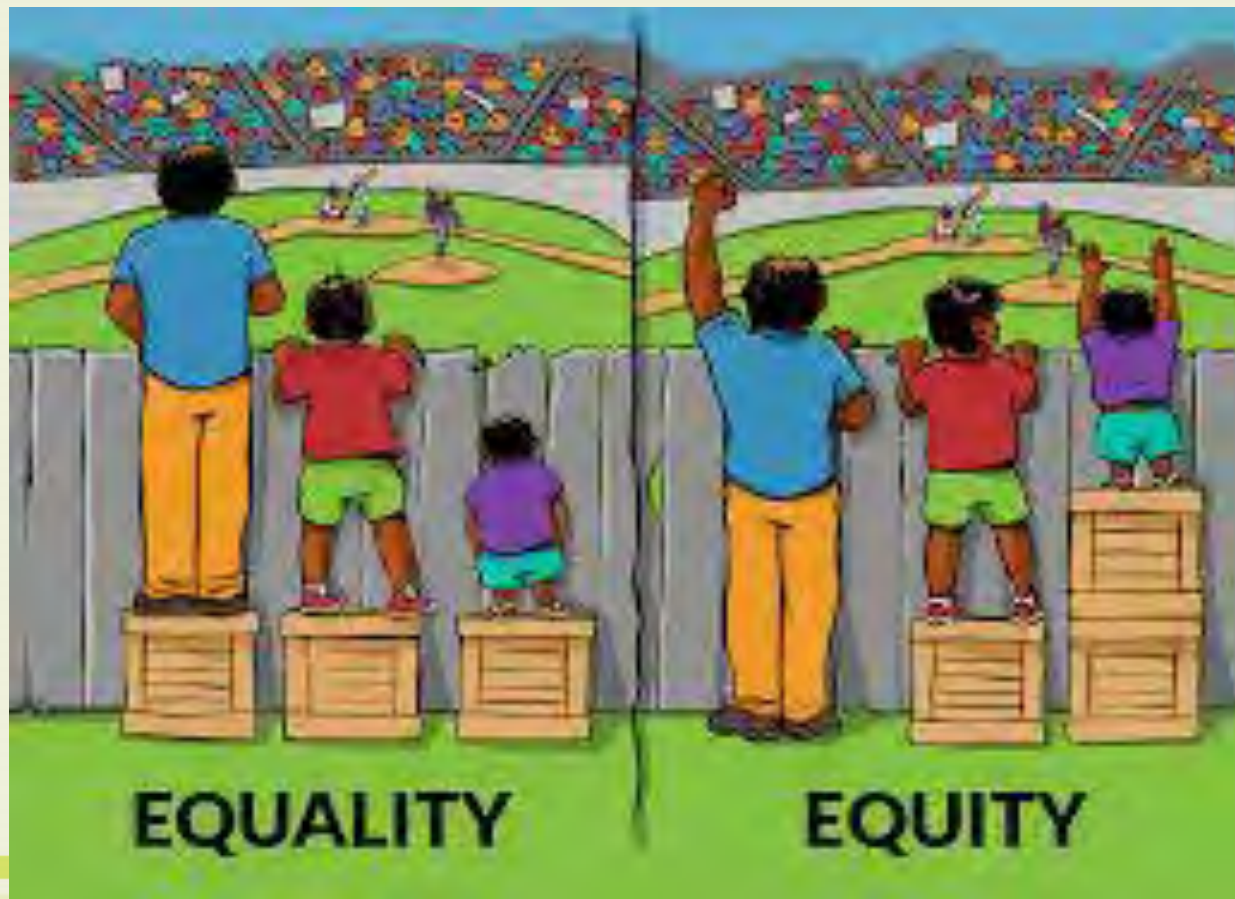
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“There is nothing more unequal than the equal treatment of unequal people”

-Thomas Jefferson paraphrasing Aristotle-



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Small Scale Grower Estimate Operating Income & Costs: 2018/19 Season		
	Irrigated	Dryland
	R/ton	R/ton
RV Price	R 3 950	R 3 950
RV Percentage	12,80%	11,80%
Estimate Cane Yield (tons/ha)	80,00	60,00
Income	R505,60	R466,10
Cane	R505,60	R466,10
Labour	R 113	R136,11
Fertilizer	R 75	R89,15
Chemicals	R 23	R17,47
Planting	R 150	R98,47
Land Preparation	R 69	R45,13
Seedcane	R 81	R53,34
Irrigation	R 110,64	0
Pump Maintenance	R 23,14	0
Electricity	R 81,25	0
Water	R 6,25	0
Levies	R 8,01	R9,17
Harvesting	R 35,00	R58,36
Transport	R 167,11	R179,45
Sundry	R24,23	R44,28
Total Operating Costs	R706,54	R632,46
Operating Profit/loss	-R200,94	-R166,36
Other (Intervention) Income	R 55	R 55
Discount Levies	R 4	R 4
Premium Price	R 32	R 32
Transport Subsidy	R 8	R 8
Seedcane Access	R 11	R 11
Profit/loss After Intervention Income	-R145,94	-R111,36

Large Scale Grower Historic and Estimate Operating Income & Costs: 2018/19 Season								
	Dryland				Irrigated			
Operating Income & Expenditure	2015	2016	2017	2018	2015	2016	2017	2018
Gross Income (R/t)	474,30	570,62	492,00	501,10	502,24	613,04	524,80	536,46
Operating Costs (R/t)	450,94	432,19	424,92	412,48	366,68	447,26	454,68	506,31
Net Farm Income (R/t)	23,36	138,43	67,08	88,62	135,56	165,78	70,12	30,15

Sugar Import Tariff Protection

- SAFDA commends **ITAC** for expeditiously dealing with **Sugar Tariff Protection** matter.
- Process would ordinarily have taken more than 12 months.
- We highly appreciate support:
 - SA President
 - Trade and Industry PPC
 - Ministers and their dedicated officials of EDD & DTI
- Challenge: equal treatment of that which is unequal
- ITAC worked with industry **cost of production** (averages)
- Tariff covers the producers of 90 % of the cane crop, our lot producing 10 % of the cane crop not covered.
- Our growers are not out of the woods yet. We need creative ways of helping them.



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Sugar Import Tariff Protection

- With **Immediate Transformation Initiatives** our farmers are still getting negative statements in terms of stats presented.
- The growing inequality gap will not be addressed if we treat the unequal equally.
- The **Tariff Reciprocity Commitment** of the Industry must address this inequality challenge.
- Unfortunately the **Tariff Reciprocity Commitment** is under question within the industry because \$856/ton tariff protection was not achieved.
- Government **protects** the industry because of **small-scale farmers**.
- Benefit to the industry with the current tariff will be R2,5billion per season. At least **20 %** of this should address this inequality



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