



SOUTH AFRICAN SUGAR ASSOCIATION
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EA/105/18
PM/AM/MG
11 May 2018

Ms Joanmariae Fubbs
Chairperson Portfolio Committee on Trade and Industry
Parliament of South Africa
PO Box 15
Cape Town
8000

Dear Ms Fubbs

SUBMISSION BY THE SOUTH AFRICAN SUGAR ASSOCIATION (SASA) ON IMMEDIATE INTERVENTIONS TO ACCELERATE TRANSFORMATION IN THE SOUTH AFRICAN SUGAR INDUSTRY

The members of SASA (SAFDA, SACGA and SASMA) have been in discussions over the last two weeks to address the request from the Parliamentary Portfolio Committee on Trade and Industry to provide the sugar industry's immediate transformation commitments.

I am pleased to advise that SASA Council today unanimously approved the interventions contained in the attached document for immediate adoption and implementation. These are aimed at accelerating transformation, providing urgent relief to black sugarcane farmers, and addressing the funding requirements of emerging black sugarcane farming associations (like SAFDA).

We have also commenced the process of developing a more comprehensive five year transformation plan which we hope to present to the Portfolio Committee in three months' time. It is a journey that we are fully committed to and it will receive the industry's priority attention over the next few months.

We thank you for your consistent leadership, guidance and support of our industry in its endeavors to bring about meaningful change and sustainability. We look forward to further interactions with you and the members of the Portfolio Committee on this matter.

Yours sincerely

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SASA Vice Chairman

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**SUBMISSION BY THE SOUTH AFRICAN SUGAR ASSOCIATION (SASA) TO THE
PARLIAMENTARY PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY**

**SUBJECT: IMMEDIATE INTERVENTIONS TO ACCELERATE TRANSFORMATION IN
THE SOUTH AFRICAN SUGAR INDUSTRY**

1. BACKGROUND

- 1.1 The South African Sugar Association (SASA) was invited by the Parliamentary Portfolio Committee on Trade and Industry to its meeting on 24 April 2018 to present an update on transformation in the South African sugar industry.
- 1.2 Following the presentation by SASA, the Portfolio Committee instructed SASA to delink the industry's commitments on transformation, from a pending successful review of its sugar tariff (via International Trade Administration Commission - ITAC) and requested SASA to submit the following information to the Portfolio Committee for its consideration:
 - 1.2.1 An urgent submission on the sugar industry's immediate interventions in support of transformation in the sugar industry – this submission is to be received by the Portfolio Committee by close of business on 11 May 2018.
 - 1.2.2 A comprehensive five year transformation plan that will result in meaningful transformation of the sugar industry – this five year plan is to be submitted to the Portfolio Committee in three months' time.
- 1.3 This submission deals with the requirement of the Portfolio Committee outlined in 1.2.1 above and sets out the immediate transformation interventions approved by the Transitional Committee of SASA at its meeting on 11 May 2018 for implementation, from the commencement of the current sugar season, effective from 1 April 2018. These interventions comprise ones that can immediately be implemented by SASA, taking into account existing infrastructure and operating systems, and are set out in more detail in section 2 below.
- 1.4 With regards to the Portfolio Committee's requirement outlined in 1.2.2 above, SASA together with its members, namely; the sugarcane farming sector and the sugar milling and refining sector have commenced with the process of developing such a plan.

2. IMMEDIATE TRANSFORMATION INITIATIVES

The following immediate interventions are aimed at improving the plight of more than 20 000 black sugarcane farmers in the industry, and committing additional resources to address the urgent need for enhancing skills development and jobs for black industry stakeholders (with a specific focus on black youth and women).

2.1 **INTERVENTION 1: Increase in premium cane payment for black small scale sugarcane farmers – based on local market sugar pricing**

Black small scale sugarcane farmers make up the vast majority of black farmers in the industry. These farmers cultivate their cane on small plots of communal land to which they have no title.

Black small scale sugarcane farmers currently receive a premium over and above the minimum cane price payable to sugarcane farmers. This premium is funded by the industry through a supplementary payment fund (SPF) and amounts to R60 million per annum.

Intervention 1 is a commitment from the industry to increase this premium to achieve a cane price for small scale sugarcane farmers that is based on local market sugar pricing, thereby removing their exposure to low world market export pricing. Based on the latest estimates of the industry's production and sales for the current season, it would require an additional **R60 million** to be funded by the industry.

2.2 **INTERVENTION 2: Establishment of a premium cane price for black sugarcane farmers (who do not qualify as small scale farmers)**

There are black sugarcane farmers that are not small scale farmers in the industry, that face a number of challenges including high input costs, high levels of gearing, and limited access to working capital. Many of them farm on marginal land.

This intervention is a commitment from the industry to establish a separate fund of **R35 million** that will be utilised to pay a premium to these farmers for their cane, over and above the minimum cane price that they currently receive.

2.3 **INTERVENTION 3: Subsidisation of black small scale sugarcane farmers' cane transport costs / and launch of an in-depth review of the cane delivery supply chain of these farmers**

Transport costs are a significant component of small-scale grower's costs. The purpose of this intervention is to bring some immediate relief to these costs for the black small scale sugarcane farmers.

This intervention is a commitment from the industry to subsidise the cane transport costs of black small scale sugarcane farmers by an amount of **R20 million** per annum.

The application of the daily rateable delivery system and cane quality deterioration due to delivery delays, are significant challenges affecting black small scale sugarcane farmers.

As an immediate intervention, SASA commits to engaging the Cane Farmers

Federation, milling companies, mill group boards and contractors at a mill area level to ensure more timeous access to milling capacity for the small scale farmers; failing which SASA will review the Sugar Industry Agreement, in order to ensure that this takes place.

In addition, the industry commits to immediately embarking on an urgent in-depth review of the entire small scale sugarcane farmers' cane delivery supply chain with the objective of finding optimal long-term solutions. It is to be noted that these are complex issues and the challenges vary from mill area to mill area. The objective is that the optimal long-term solution must result in a significant reduction in harvest-to-crush delays and an optimum cane transport solution for these farmers.

2.4 INTERVENTION 4: Access to seed cane of appropriate cane varieties for black small scale sugarcane farmers

A challenge confronting black small scale sugarcane farmers is access to seed cane of the appropriate varieties, in the various cane supply areas, as well as the cost of seed cane. In this regard a more sustainable programme is required that will address these challenges and result in meaningful improvement in these farmers' yields.

This intervention is aimed at providing supplementary funding for the purchase of seed cane for these farmers and includes the establishment of black grower owned seed cane nurseries, including bulking-up operations for new varieties. The industry commits to an amount of **R20 million** per annum to this programme.

2.5 INTERVENTION 5: Subsidisation of black small scale sugarcane farmers' membership levies

This intervention is a commitment from the industry to subsidise black small scale sugarcane farmers' membership levies, subject to a maximum of R4 per ton of cane per annum. Based on current cane production estimates, this amounts to **R7 million**.

2.6 INTERVENTION 6: Institutional capacity building funding for new emerging black sugarcane farmer associations, accredited to the Cane Farmers Federation (CFF)

The pending amendments to the SASA Constitution and Sugar Industry Agreement that give effect to the recognition of emerging black sugarcane farmer associations will result in new black representative organisations being established.

This intervention is a commitment by the industry to fund the annual operating costs of new emerging black sugarcane farmer associations, accredited to the Cane Farmers Federation, subject to a total maximum commitment of **R10 million** per annum for a period of three years i.e. the 2018/2019, 2019/2020 and 2020/2021 seasons.

For the 2018/2019 season R10 million will be provided to SAFDA, since SAFDA is the only black emerging cane grower association that is accredited to the CFF.

In the 2019/2020 and 2020/2021 seasons any other black emerging cane grower association that is accredited to the CFF will have access to these funds.

2.7 INTERVENTION 7: Allocate additional funding for the development, education and training of black sugarcane farmers, and new emerging black sugarcane farmer associations

The industry currently commits R4.3 million per annum to SASA's Grower Development Account (GDA) to fund programmes focussing on development, education and training of black sugarcane farmers. These funds are awarded to various training proposals and in most cases the training is delivered via SASA's nationally accredited Shukela Training Centre.

With regards to funding for new emerging black sugarcane farmer associations, not yet accredited to the CFF, they will be required to meet criteria to be agreed upon.

This intervention is a commitment from the industry to increase the funding allocated to the GDA from the current R4 million to **R14 million** per annum.

2.8 INTERVENTION 8: Establishment of sugar industry job creation accelerator programme for black youth and women

This programme aims to contribute to the national imperative of job creation and reducing the alarmingly high unemployment levels.

The types of programmes that the industry will embark upon, include:

- Partnerships with organisations that provide opportunities for first time employment seekers in the sugar industry through the Cane Farmers Federation and Sugar Millers and Refining Federation;
- Training youth in the areas of agriculture, artisanship and engineering through SASA's Shukela Training Centre and providing a structured training and industry placement programme;
- Placement of qualified youth (internships) in relevant areas of skills needs within the sugar industry as the industry's contribution towards youth development.
- Start-up incubator fund for those persons that wish to establish their own businesses in the sugar value chain.

This intervention is a commitment from the industry to allocate **R10 million** per annum to the abovementioned programme.

**SUMMARY OF FUNDING COMMITMENTS FOR
IMMEDIATE TRANSFORMATION INTERVENTIONS**

INTERVENTIONS	AMOUNT (R MILLION)
Intervention 1: Increase in premium cane payment for black small scale sugarcane farmers – based on local market sugar pricing	60
Intervention 2: Establishment of a premium cane price for black sugarcane farmers (who do not qualify as small scale farmers)	35
Intervention 3: Subsidisation of black small-scale sugarcane farmers' cane transport costs	20
Intervention 4 Access to seed cane of appropriate cane varieties for black small-scale sugarcane farmers	20
Intervention 5 Subsidisation of black small-scale sugarcane farmers' membership levies	7
Intervention 6 Institutional capacity building funding for new emerging black sugarcane farmer associations, accredited to the Cane Farmers Federation	10
Intervention 7 Allocate additional funding for the development, education and training of black sugarcane farmers	10
Intervention 8 Establishment of sugar industry job creation accelerator programme for black youth and women	10

TOTAL FUNDING COMMITMENT	R172 million
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