



# REPORT ON SUGAR INDUSTRY - INTERVENTIONS TO ACCELERATE TRANSFORMATION IN THE SA SUGAR INDUSTRY

PORTFOLIO COMMITTEE ON TRADE AND INDUSTRY  
12 JUNE 2018



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



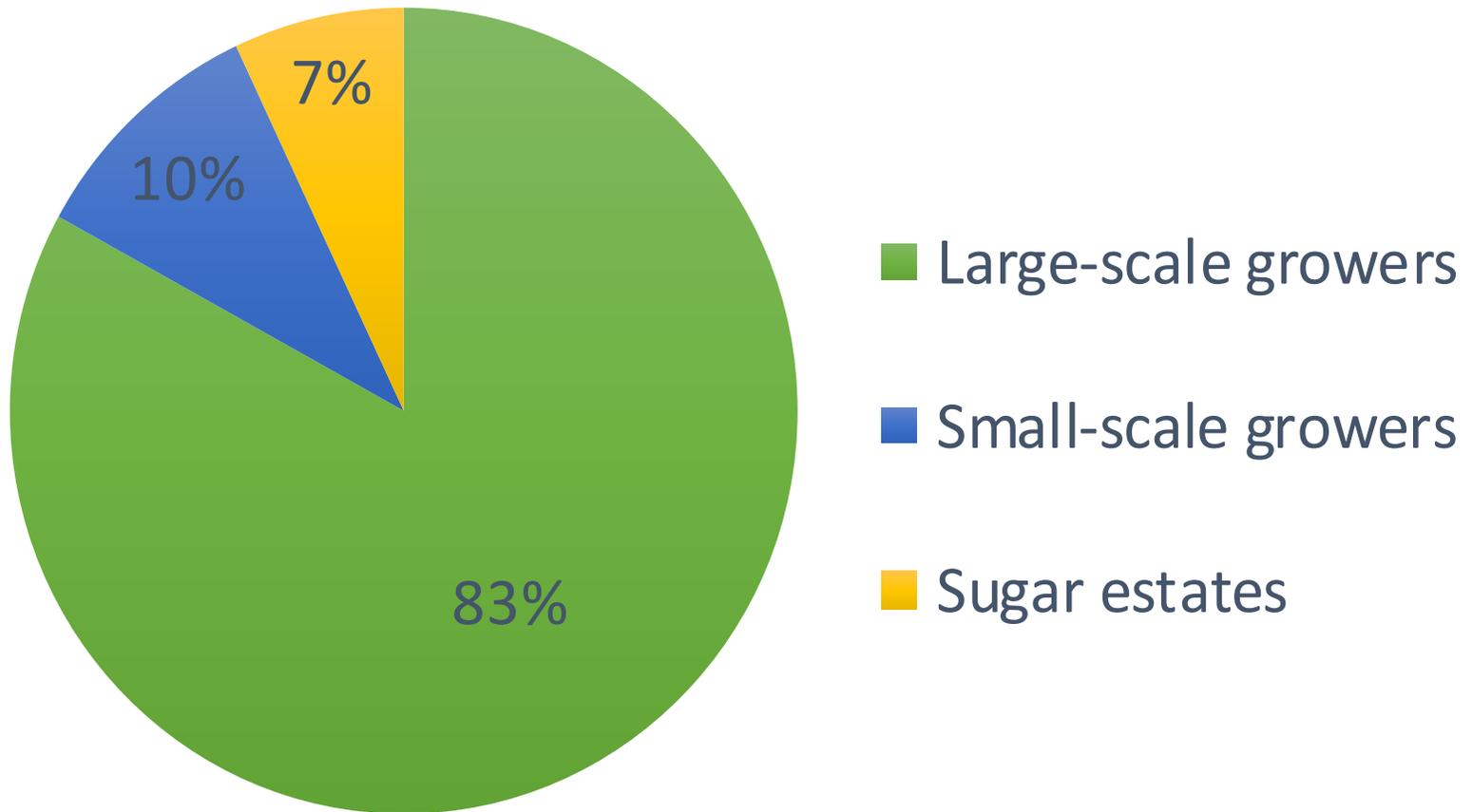
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# Background

- Parliament's Portfolio Committee on Trade and Industry met with the South African Farmers Development Association (SAFDA) to hear its concerns regarding not being recognized by the South African Sugar Association (SASA) and the South African Cane Growers' Association (SACGA).
- The Committee acknowledged that this was an urgent matter and that swift action should be taken by the Department of Trade and Industry.

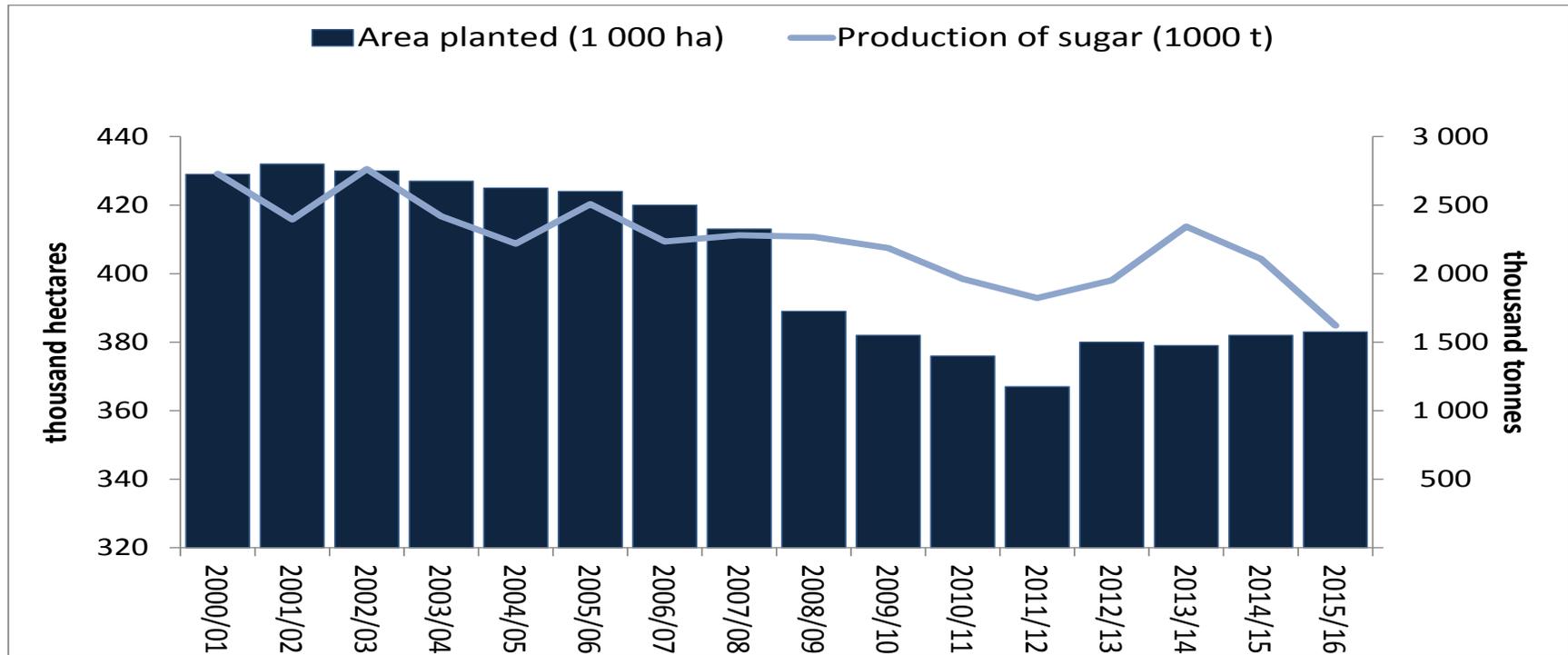
# Sugar Industry Overview



# Production Trends

- 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.
- The industry generates approximately 79 000 direct jobs (7 000 of which are employed in milling).
- This represents over 11% of the total agricultural workforce in South Africa, according to the South African Sugar Association (SASA).
- Direct and indirect employment is estimated at 350 000 people.
- An important feature of the industry is the employment in rural areas where there is often little other economic opportunity

# Area planted of sugar cane and production of sugar



Small scale sugar cane growers have suffered disproportionately from challenges facing the sugar growing industry in general, including poor rainfall, increased input prices (mainly for fertiliser, labour and fuel), services etc (Bureau for Food and Agricultural Policy, 2014; Dubb, 2014).

# Agriculture Value Chain Support

- Aim:
  - Stem retrenchments
  - Assist in finding alternate markets for sugar including direct and indirect markets; export support
  - Address competitiveness
  - Trade issues (imports / tariffs)

## Measures:

- Agro processing Support Scheme( APSS)
- Comprehensive Agricultural Support Programme – Conditional Grant by NT & DAFF support to small growers on diversification
- NT/DAFF ( MTEF budget allocation) to assist on budget re-prioritization to focus on alternative crops

# Objective of the review of the regulation

- To improve the competitive environment in which the industry operates in a manner that will contribute to the optimal development of the industry and inclusive growth
- Ensuring the long term cost competitiveness of the industry.
- To provide a positive legal position and minimise self regulation by industry.
- Towards transformation of the Sugar Industry

# Sugar Industry Consultation Process

- The Department of Trade & Industry participated in the mediation process that was led by Mr Charlse Nupen from 2-3 December 2017 which resulted in the Draft Agreement of Cooperation, proposed amendments to the sugar industry regulations and a proposed new structure to serve as umbrella body for the sugar cane farmers. This necessitated the amendments to the SASA Constitution and the Sugar Industry Agreement.

**Outcome:** A new agreement was signed by all parties namely South African Farmers Development Association, South African Cane Growers Association and SA Millers Association

- SASA Special Council Meeting was held on the 12 December in KwaShukela, KZN  
**Outcome:** Changes to the SASA Constitution and Sugar Industry Agreement were adopted

# Sugar Industry Consultation Process

- SASA Special Delegates meeting held on 5<sup>th</sup> February 2018 in KwaShukela, KZN  
**Outcome:** Ratified the draft documents incorporating the amendments made by SASA Council.
- On 15 March 2018, SASA Council agreed on transitional arrangements pending the gazetting of the amended SASA Constitution and SIA
- On the 16<sup>th</sup> April 2018, the Delegates of the South African Sugar Association as well as representatives of the South African Farmers Development Association, approved the amendments to the SASA Constitution and the Sugar Industry Agreement, 2000 and agreed that the amendments be submitted to the Department of Trade and Industry for approval and promulgation in the Government Gazette.

**LONG-TERM SOLUTION REPRESENTATION**  
**SASA REVISED PROPOSAL**

**SASA DELEGATES**  
 Independent Chairperson  
 Qualified majority 70%  
 24 appointed by CFF  
 24 appointed by SMRF

50%

50%

**Cane Farmers' Federation (CFF)**  
 Independent Chairperson  
 24 Directors

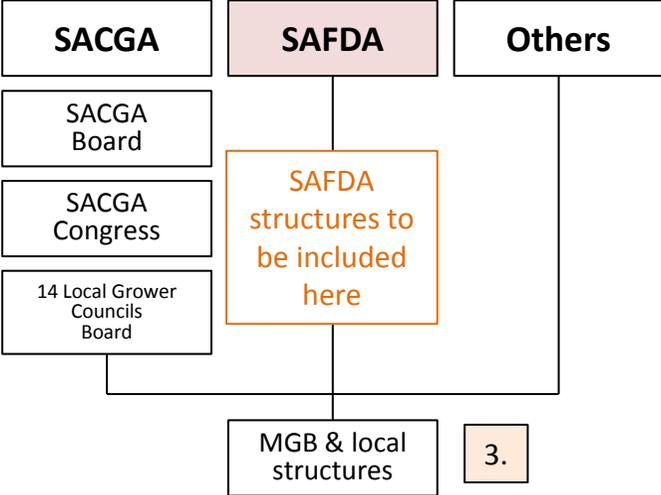
**SASA COUNCIL**  
 Independent Chairperson  
 DTI observer status at all Council meetings  
 Qualified majority 70%  
 16 Councillors nominated by CFF Delegates  
 16 Councillors nominated by SMRF Delegates

**Sugar Milling & Refining Federation (SMRF)**  
 Independent Chairperson  
 24 Directors

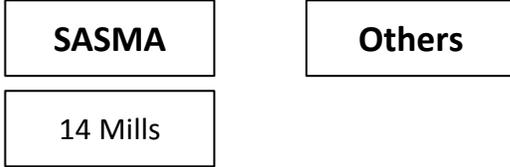
Representation proportionate to :-

- 50% basis cane deliveries
- 50% basis membership

Based on proportional representation  
 Members / production



1. 2.



1. Criteria for Grower Association qualification –

2. Independent audit to verify membership & levy disbursement

3. Representation of SAFDA & OTHER on MGB / local structures

3.

**LONG-TERM SOLUTION**  
**STAKEHOLDER LEVY**  
**STRUCTURE**  
**SASA REVISED PROPOSAL**

**SASA (LEVY)**  
**INDUSTRY OBLIGATIONS**

64%

36%

**Cane Farmers' Federation**

- Central Levy paid by member organisations
- Operational costs
- Attendance costs – CFF & SASA meetings
- Any other cost that is for the benefit of all growers

**Sugar Milling & Refining Federation**

Costs – Voluntary Levy

**SACGA**  
Costs

**SAFDA**  
Costs

**Others**  
Costs

**SASMA**  
Costs

**Other**  
Costs

- Collect levies from their own members
- Collect income from services provided to CFF and/or any third party
- Can ask Millers to deduct off cane payment systems – signed cessions

# Proposed Structure

## Membership

- SASA will have two members constituted by two (2) sectional structures (federations) to be known as the South African Sugar Milling and Refining Federation (“the Milling Groups”) abbreviated as (“the SMRF”) and the South African Cane Farmers Federation abbreviated as (“the CFF”).

*“The SMRF”* represents Millers and Refiners.

*“The CFF”* represents all growers

## Federations

- Each federation shall elect its independent chairperson at its General Meeting.
- Each federation to consist of twenty-four (24) representatives.
- Each federation to be represented by 24 delegates.
- Cane Growers Association (“CGA”) will have representation on the CFF, which representation is to be determined in proportion to cane deliveries and membership in ratio of 50:50.
- Every cane grower is obliged to be a member of the CGA.

# Sugar Industry Regulation - Amendments

- On the 16 April 2018 the Delegates of SASA and SAFDA approved the amendments to the SIA and SASA Constitution inclusive of the Transitional Arrangements

Documents submitted to **thedti** by SASA

- The Amended SASA Constitution.
- The Amended Sugar Industry Agreement.

# Interim Arrangement

- SASA and SAFDA agreed that the measures stated hereunder shall, as approved by the SASA council on the 12<sup>th</sup> December 2017, immediately come into effect. These include:
- To granting three SAFDA representatives observers status with a voice at SASA council.
- To considering any application by SAFDA for the funding of its operational costs from the 12<sup>th</sup> of December 2017 to 31<sup>st</sup> of March 2018 from SASA's Grower's Development Account.
- This application to include a detailed budget and be submitted by SAFDA to SASA on or before the 5<sup>th</sup> of December 2017.
- To considering the application that was submitted by SAFDA for a grant from the Grower Development Account for development projects.
- Long term solutions were to be included in the amendment to the SASA Constitution and Sugar Industry Agreement, 2000 and put them into effect upon gazetting the Constitution amendment by the 1<sup>st</sup> of April 2018.

## SASA Tariff Review Application for Sugar to ITAC

- The South African Sugar Association(SASA) has applied to ITAC for the review of the Dollar Based Reference Price (DBRP) for the sugar in February 2018.
- The Department of Trade & Industry has therefore requested for the timelines from ITAC for the finalization of the application and a deadline for the end of July 2018 was provided.

# Proposal from Safda on Levy Sharing

- SAFDA appeals that the DG holds on from signing the draft industry regulations and so as to allow the industry to sort out the levy sharing formula with industry stakeholders,
- A draft SIA 2018 updated will be re-submitted to the Department for gazetting upon finalization of the above.
- Safda's position is that both representation and levies must be dealt with using the same formula used for ensuring fair representation.

# SASA Immediate Transformation Plan

*( please see attached report )*

# Conclusion

- In conclusion the amendments to the Sugar industry regulation shall come into effect upon gazetting of the amendments of the SASA Constitution and the Sugar Industry Agreement (SIA) of which the process has commenced through the Legal Services of the Department of Trade & Industry.
- The Department's intervention was aimed at addressing issues and to emphasise the importance of economic transformation in the sugar industry and specifically the importance of recognising black players in the Sugar industry.

A hand-drawn illustration of a marker writing the words "Thank you" in a cursive script on a white surface. The marker is positioned at the end of the word "you", with its tip touching the final stroke. The entire scene is enclosed within a white rounded rectangle with a soft drop shadow.

Thank you